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# ***JPRS Report***

# **Latin America**

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# Latin America

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### **Sarney Gives Interview on Direction of Foreign Policy**

33420031a Sao Paulo GAZETA MERCANTIL  
in Portuguese 1 Dec 87 pp 1, 7

[Article by Dirceu Brisola, filing from San Jose, Costa Rica]

[Text] "I wasn't the president who opened the hole at Cachimbo. I was the president who closed it," President Jose Sarney told this newspaper in an exclusive interview given during the flight which took him from Acapulco to San Jose, capital of Costa Rica, last Sunday afternoon. He was referring to the holes dug in the Cachimbo mountains in Para State, where the government recently intended to bury the toxic waste produced by the radiation accident in Goiania.

The statement, made with some vehemence and emotion, conveyed the government's determination to interrupt the research and experiments that were destined to give Brazil nuclear capabilities for military purposes. Besides shedding definitive light on the actual, deadly purpose of the deep holes dug into the Para mountains it defines—even by using the verb in the past tense—what is now President Sarney's greatest hope of leaving for posterity some important and lasting accomplishment to mark his passage through the presidential palace.

That accomplishment is the redefinition of the face Brazil turns to the outside world, along two strategic and complementary lines: increasing Brazil's international presence, by giving it a higher and more visible profile; and emphasizing regional integration.

"I am going to commit Brazil, irrevocably, to the campaign for the integration of Latin America," Sarney assured this reporter. "That is all the legacy I need to leave of my administration."

This attitude, according to the president, is responsible "for the withdrawal of this continent from the nuclear race. We achieved this at the moment when President Raul Alfonsin (of Argentina) took me to visit Pilcaniveu and I took him to visit Ipero, at the moment when Brazil made public its nuclear program. It was then that the nuclear race ceased to exist," Sarney stated.

Defining his project more broadly, the president said: "We have changed the axis of Brazilian foreign policy. Instead of pursuing the objective of being at the bottom of the bloc of rich countries, we are going back to being part of the Latin American world. Our objective now is to spur the entry of the continent into the era of an economy based on groups, the era of a more modern diplomacy."

An example of the shift to economic groups is the proposal for forming a Latin American common market along the lines of the European model, something Sarney

talked about during the Acapulco meeting of the eight presidents in the region that ended Sunday, and which was included in the final joint communique.

The new stress Brazil is giving to its continental policy, and the striking personal participation by Sarney in defining it, received major attention at the Acapulco gathering. Besides having played an especially active role in the private meetings of the chiefs of state—discussions so intense as to allow them a total of only 15 hours of rest in 4 days of work—the Brazilian president became the darling of the press who gathered outside the conference room, from the moment that he announced the existence of a consensus among the presidents in favor of readmitting Cuba to the inter-American system.

Sarney's statement put the news from Acapulco on the front page of major newspapers—such as THE NEW YORK TIMES—and meant he was constantly surrounded by TV cameras, microphones, and tape recorders whenever he came into range of the reporters who were covering the event.

Although he avoided gloating over this sudden regional popularity (which provoked visible jealousy among the members of the staff of the Mexican president, Miguel de la Madrid), Sarney recognizes "the superior quality" which Brazil's active participation contributed to a forum such as Acapulco.

"Without us, that movement would never have the same clout," the president said. In his opinion, this is because, despite its prominent geopolitical and economic status in the Americas, Brazil is a nation "without hegemonic ambitions and, therefore, without provisos," which distinguishes it—although the president avoided specifically saying so—from the United States, which does have hegemonic ambitions and never fails to impose its conditions for participating in any international negotiations.

President Sarney expressed regret that this significant diplomatic performance does not receive its proper measure of attention from Brazilian public opinion. "In Brazil," he complained, "foreign policy issues don't have much of an impact."

In Sarney's view, "25 percent of a Brazilian president's time is spent on international policy matters." Hearing this appraisal, Minister Roberto de Abreu Sodre recalled that when he first assumed the post of foreign minister, he himself thought the proportion was exaggerated—that it could not be accurate that a quarter of the president's work involved dealing with foreign questions. "The only reason I did not dispute him on this point was because he was the president," Sodre recalls. Later, however, he found that there was no exaggeration. "Now that Brazil is back on the UN Security Council after an absence of 28 years, I think the role of international policy will expand even more," the minister said.



Sarney believes that Brazil's stature in the eyes of the world has changed radically since he took office. Until then, he says, "Brazil's foreign policy was its domestic policy. Now I am looking at the country in the global context. We are pursuing a goal, which is Latin American integration." Unfortunately, in his judgment, "this is one of the changes under the New Republic which the country has not noticed."

The Brazilian president would really like to have dedicated considerably more time to this task of international realignment. "I have been determined to do so since the very beginning," Sarney noted. As it turned out, however, domestic policy occupied him much more than he would have liked.

Now the president intends, before his term of office ends, to complete a heavy schedule of trips and participation by Brazilian diplomacy in world events. To carry out this plan, he will go to Colombia this month and next year will visit countries whose position in the world is somewhat similar to that of Brazil—such as India and China. He has promised to go to Angola and Mozambique, and will certainly not exclude European countries such as France and England from his itinerary. "Nor can I fail to go to Japan," Sarney himself pointed out.

Of all his trips, however, the one that provokes the most questions is the planned visit to the Soviet Union. Not only is it an historical "first," but, under the rules of protocol, it may bring about a reciprocal visit to Brazil by the bold and innovative Soviet leader, Mikhail Gorbachev. "I've already invited him," Sarney remarks.

Doesn't the Brazilian Government fear a negative reaction from the United States to this type of initiative? "The level of the interests which Brazil defends in the world is of such a nature," Sarney answered, "that we cannot worry about the reaction or anger we might provoke on anyone's part."

Although said Brazilian interests did not reach such magnitude all of a sudden, it is certain that Sarney's stance reveals several, extremely important, new elements when compared with the position taken by his military predecessors beginning in 1964. Today, for example, there would be no chance at all that Brazil would send troops to help form an inter-American force such as the one that occupied the Dominican Republic under the command of Gen Carlos de Meira Mattos during the Castello Branco administration. "I as president," Sarney assured us, "will not send any military force to any place where there is a possibility of direct military involvement. We have no inclination to be the world's policeman."

From an immediate and specific standpoint, the palpable shift in Brazilian foreign policy takes shape in the approach to the Cuban question, considered by Sarney to be "a matter of vital importance."

"A country that is segregated from the society of the other countries of the region comes to have a destabilizing influence on the others," Sarney said. In his opinion, this was why "Cuba delayed the democratization of Latin America by 20 years...Isolated and segregated," he continued, "Cuba started financing subversive movements and training people," behavior which aggravated and strengthened the political repression and the dictatorships on the continent.

"We must keep any conflict among the great powers from being transferred across our borders," Sarney said. "We must keep from being transformed into instruments of those conflicts."

The Brazilian president is also very skeptical about the contribution which hegemonic nations such as the United States or the USSR may make to the developing countries. "We must not have any grand illusions that some big power is going to resolve the problems of Latin America," he cautions.

That is why he does not believe Brazil can damage its interests by having modified its objective of abandoning the collective demands of the continent in order to mingle in privileged circles with the nations of the First World. "Brazil has departed from depending on assistance," the president said. "It has given up trying to awaken the good will of the United States in order to obtain some sort of Marshall plan. It has abandoned the old diplomacy of seeking an international patron."

Today, according to Sarney, Brazil engages in a modern foreign policy, one characteristic of which is the so-called "presidential diplomacy" such as practiced by the developed nations, whose heads of government habitually get together at the summit meetings of the so-called "Group of Seven" (the United States, Germany, Japan, England, Italy, France, and Canada).

Sarney does not worry that Brazil might suffer direct consequences from his new stance—as, for example, a delay in the supply of funds by the banks to fulfill their part of the recent agreement. He is convinced that both the banks and the American government "are motivated in their actions in the financial and commercial realm by specific interests" and do not operate on the basis of the diplomatic behavior of the other governments.

"There is no privileged interest rate," the president stated. "The banks don't give an inch, unless it suits their interests. And we should not yield anything either, unless in accordance with our own interests."

Despite the emphasis he placed on regional integration, Sarney does not expect it to bear fruit in economic terms in the short run. In that regard, he cites the fact that the European Common Market has had 12 years to mature,

and in a much more homogeneous and economically developed environment. "A Latin American common market," he feels, "is something to be worked on for the next 20 years."

"Even so, we must begin," he insisted. "This means beginning with bilateral accords, such as we have already signed with Argentina, Uruguay, Venezuela, Mexico, and Ecuador," he explained.

"Perhaps during the upcoming visit by President Alfonsin to Brazil, (scheduled for March 1988), it will be possible to create something more ambitious, broader in scope, something more long-term."

From his point of view as chief of state, however, President Jose Sarney does not believe that Brazilian business circles have the right, sufficiently effective, approach to support this effort and to press for results. "The economic elite lacks political vision," Sarney says critically. "They are very provincial in their interests," he adds.

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#### **Bresser's Isolation in Government, Resignation Rumors Viewed**

33420021 Sao Paulo VEJA in Portuguese  
4 Nov 87 pp 116-119

[Report: "Losing the War"; first paragraph is VEJA introduction; boxed material as indicated] ted within the government, Bresser is unable to halt the inflationary spiral, and there is already speculation that he will be leaving the Ministry of Finance.

Regarded by businessmen as an accursed word, by trade unionists as a source of discord, and by politicians as a magic word, the word "shock" surfaced again last week, only 2 months after the termination of the most recent freeze on prices and wages—and once again in its customary role of a mirage that the government is reportedly thinking of embracing to avoid another escalation of the inflation. The threat of a repeat performance of putting prices and wages in a straitjacket—despite the failure of the two previous experiments—arises in response to the revival of inflation, which rose by 9.1 percent last month and on the basis of official projections is expected to swell by 12 percent in November and 15 percent in December.

"It would appear that society wants a new shock treatment, but the government is not going to take any step in that direction," Minister of Finance Luiz Carlos Bresser Pereira declared. As the author of the plan (endorsed by President Jose Sarney) that predicts inflation rates of less than 5 percent per month—just as his predecessor, Dilson Funaro, in the heyday of the Cruzado Plan dreamed of a "Swiss-style inflation and Japan-style growth" for Brazil—Bresser went so far as to admit, in

private conversations with friends and advisers, the possibility of "asking for the check" and then going home (see box on page 118) before the rate of inflation goes out of sight.

At the rate it is growing each month, the inflation will close out the year—according to conservative estimates—at a peak annual rate of 365 percent. This is virtually 1 percent per day, a rate that would appear to distinguish the Sarney administration as the author of two feats: obtaining the highest annual rate of inflation ever recorded in Brazil, and also a record monthly increase of 26.06 percent in prices (recorded last June). In the event of a third "shock" there would be still another "feat": the patenting, by the present government, of the formula whereby the economy is placed into a straitjacket every time the inflation begins to approach 15 percent per month. Mistrustful of the outcome, the business community has already begun to increase prices "on their own," while at the Ministry of Finance talks have taken place on the need for a "fiscal shock treatment"—that is to say, a new confiscation of the income of Brazilian citizens through the instrumentality of an increase in taxes.

"We are losing the war," said one of the top advisers of the Ministry of Finance. "I am merely waiting for the moment when I shall turn in the keys to my office." The underlying cause of this situation is the defeat of the plan developed by Bresser to hold down prices and wages while he tried to bring order to the mountain of spending sponsored by the government at all administrative levels. "What one sees today is a picture of complete abandonment of the principle of authority," warned an important official of the Ministry of Finance who is directly involved in analyzing the government deficit. "The spending goes on," he said, "and we simply have to pay for it." In the midst of this anarchic situation—in which the government is spending much more than it takes in—Bresser denied that a new economic shock was imminent, complete with a freeze on prices and wages. On the same occasion—to everyone's surprise—he also gave assurances that "the government has the deficit completely under control"

It was just one more exaggeration on the part of a government that has proved incapable of reining in spending on its own turf, for no matter how much it increases taxes and attacks the earnings of the business community and the salaries of the middle class, the government always manages to spend much more than it takes in. In recent weeks the minister of finance was completely defeated in the battle to prevent government employees—civilian and military—from receiving readjustments of their salaries in real terms and outside the normal schedule. The truth is that Bresser had begun to weaken—and to destroy the foundations of his economic program—when a little earlier he suddenly retreated and left the way clear for the management of the Bank of Brazil to approve an increase in the salaries of its employees that amounted to 24 percent more—in real

terms—than those employees had been receiving in September of last year, on grounds that by law their salaries had to be on a par with those received by the employees of the Central Bank. Immediately after learning of this decision, one of Besser's advisers phoned Ricardo Santiago, chief of the Special Secretariat for the Administration of Prices [SEAP], and blurted out: "Ricardo, we're in trouble. Now it'll be difficult to hold down wages and salaries in the private sector." To which a nonplussed Santiago replied: "I wonder if the minister comprehends that fact"

### Alone and Defenseless

Bresser did awake last weekend to the size of the problem that had been laid on his doorstep when he called into his Sao Paulo office the leaders of the CUT [Sole Central Organization of Workers] and the president of the FIESP [Sao Paulo State Federation of Industries], Mario Amato. In the course of their conversation the minister asked for moderation in the matter of wage readjustments and suggested that a ceiling be imposed: 10 percent above inflation, no more. No one agreed with him. Amato dismissed the idea by saying: "That request ceased to be feasible when the government itself approved real wage increases of much more than 10 percent for its own employees." The reaction of the CUT, according to its leaders, is to be found in the strike that for 2 weeks has shut down the assembly lines at Autolatina (a company controlled by Ford and Volkswagen) in Sao Bernardo. Bresser returned to this theme last Wednesday when he tried to convince the ministers of the Superior Labor Court [TST]—whose president, Marcelo Pimentel, had accused the minister 2 weeks before of attempting to interfere in the decision-making process of the judiciary. It was a difficult conversation.

Bresser—who was accompanied by Minister of Labor Almir Pazzianotto—explained his position. "I understand the position of the judiciary," he said, "but I believe that wage increases of more than 10 percent—in real terms—are a threat to the equilibrium of the economy." Pimentel, moreover, would have none of these arguments. "The judiciary does not render its decisions on the basis of statistical recommendations," the president of the TST began by saying. "The workers no longer have faith in the legislative branch, much less in the executive branch. Only the judiciary remains, and if it is taken away...." He interrupted himself to suggest that the recommendations of the Ministry of Finance could intensify the climate of popular dissatisfaction. The judiciary must indeed base its decisions solely on the law, but the minister of labor took the occasion to needle his colleague. "The Labor Court functions as a safety valve," Pazzianotto declared, thereby leaving the minister of finance all alone and defenseless.

Bresser would stumble again the following day—this time on his own turf—as he presided over a meeting of the CMN [National Monetary Council] during which he presented—and won approval for—a plan to rescue the

Trans-Brazil that he had opposed ever since debate over the proposal began last month. As approved, the bailout will be in the amount of 2.8 billion cruzados (the equivalent of \$50 million), to be financed with taxpayer money passed on by the Treasury to the Bank of Brazil. Two advisers—businessman Sergio Quintela and the president of the National Confederation of Industrial Workers, Jose Calixto Ramos—objected. Quintela regarded as "absurd" the interest rate of 8 percent per year that the Bank of Brazil will charge Trans-Brazil for the loan—a rate far below the normal interest rates for BNDES [National Economic and Social Development Bank] transactions, while Ramos voiced his fear that the government is being transformed into a "big hospital for firms that are in trouble." Bresser cut short the discussion by declaring that the bailout had been approved by the National Security Council and should not be cause for surprise—even though the CMN is theoretically an autonomous body for deliberating decisions in the economic area.

The influence exercised by Bresser within the government, however, was still further diminished at that same meeting of the CMN with the approval—also with Bresser's assent—of the granting of an extension on the debts of the coffee- and cacao-producers of Bahia, Waldir Pires (PMDB [Brazilian Democratic Movement Party]), who was sponsoring this request by the agriculturists of his state. "Let whoever wants a subsidy go elsewhere to find it," Bresser told the Bahian agriculturists. They went to find it precisely at the CMN, headed by the minister of finance.

### Pessimistic Scenarios

After taking so many hits, little wonder that the CMN also approved extending the term for direct credit to the consumer to 9 months from 6 months, while Bresser's advisers were considering measures that were of precisely the opposite nature. What the economists of the Ministry of Finance fear is that prices will take off decisively just before Christmas, in view of the fact that wages are once again rising and merchants have stocked their shelves with only 50 percent of the volume of merchandise they stocked last year. The result is that increased demand, coupled with limited supply, is leading to more inflation. Among the various ideas under consideration is the usual expedient: an increase in the tax on income at the source. "It would serve to inhibit demand," said one Bresser adviser, who does not believe the measure is feasible, given the political difficulties that its implementation entails.

At a meeting with his advisers Bresser even considered the possibility of the government creating another compulsory loan, similar to the one already imposed on retail sales of alcohol and gasoline. The idea was aborted, however, when one of those present pointed out that "it would be repeating the same mistake 1 year later." The reference was to the approval by Dilson Funaro of the National Development Fund—the FND—which not

only put a surcharge on fuel prices but on the prices for automobiles as well. It is in this context that the economic team has designed two scenarios for the economy, both of them pessimistic: one is "tragic," the other "catastrophic."

The "catastrophic" scenario means an exaggerated explosion of the inflation accompanied by the total disorganization of the production sectors of the economy, with the result—according to one of Bresser's collaborators—that a new "shock" would be inevitable, even though everyone knows that prices would go up again within a few months. In this scenario, inflation would be at the 18 percent level by January. "In the hour of despair, one reacts in a despairing manner," argues one of the economists on the Bresser team. According to this hypothesis, the minister of finance should not expect to receive the collaboration of the economist Francisco Lopes, who helped to put together the Cruzado Plan and was the principal intellectual author of the most recent freeze. "The concept of the 'shock' has been transformed into a kind of Brazilian panacea for the economy," Lopes says. "It makes me uncomfortable, because you don't fight inflation with off-the-shelf expedients." In the moderate [as published] scenario, inflation would stabilize at the level of 12 percent per month. "The situation is cause for concern, but we are trying to manage it in the most appropriate manner," SEAP economist Ricardo Santiago believes.

In this rather nebulous scenario, investors—from the biggest to the most modest—would once again remain in the dark, in danger of seeing their savings eroded (unless they are protected by some kind of financial shelter) by an inflation rate that is already nearing 1 percent per day. According to the analysts, the investments that stood out last week as the safest shelters for money during the coming days were as follows:

**Overnight:** Recommended for those who believe that changes will occur in the economic picture and want to decide on the destiny of their money calmly while enjoying daily liquidity, the "overnight" offers a good return. "In October the overnight yielded 0.4 percent above the rate of inflation," says Antonio Leao, chief of operations at the Baluarte brokerage house in Sao Paulo. "It's an excellent yield, almost equal to that of a pass-book savings account."

**CD's:** Bank certificates of deposit—which last week offered virtually no return in real terms to the investor—are scheduled to experience an increase in their interest rates at the beginning of November to 0.73 percent per month after allowing for inflation and the income tax. The analysts enter only one caveat: if an economic shock does come to pass, the investment in CD's should be made at the end of the month, so that the investor will receive the benefit of the monetary adjustment based on the rate of inflation (far higher) that prevailed before the measures were taken.

**Real Estate:** According to the research of the Brazilian National Resources Research Enterprise—EMBRAESP—prices are low on all real estate: from unimproved land to summer homes, from houses to urban apartments. This would accordingly be a good time to buy, although there are those who believe it is best to wait. "Real estate prices will probably fall still further," the economist Luis Paulo Rosenberg anticipates.

**Savings:** Those who are not betting that an economic shock is imminent regard savings as a good alternative, provided that the deposit is made at the beginning of the month, so that the correction does not lag behind the rate of inflation.

In the midst of this period of turmoil in the economy, in which investors are confused and the government itself appears not to know what to do, some businessmen are already beginning to lose patience—as for instance the president of the Brazilian Electro-Electronic Industry Association, Aldo Lorenzetti. "It is essential that the president of the Republic take care of business and not go running around all the time in search of political support," Lorenzetti acidly declares. "The level of internal dissension in the government is such that if every cabinet minister who has been thwarted were to resign for that reason, everybody would be leaving."

[Box, pp 118-119]

#### Another Shock—or a Resignation?

With inflation rapidly approaching two digits, the government deficit out of control, and a lack of political support for his economic goals, Minister of Finance Luiz Carlos Bresser Pereira is currently feeling the anxiety of having to make a critical decision: namely, to remain in the government or to leave it. In the latter case, President Jose Sarney would be having to name no less than his fourth minister of finance in 32 months of his presidency. Since the beginning of last week the minister has been advised by friends and advisers to submit his resignation immediately and thereby avoid the sad fate of his two predecessors in office—Francisco Dornelles and Dilson Funaro—who were kept on the "hot seat" by Planalto Palace until they were forced to leave anyway. Bresser is resisting the idea, because he believes—according to one of his closest associates—that it would be an "act of cowardice" to bail out just when the economy is once again entering a period of crisis. The minister believes he is obligated to Sarney and to his party—the PMDB—but complains about the political isolation in which he finds himself.

Both the PMDB and the government team have been notoriously indifferent to the goals of the Bresser Plan, as was made evident by the decision to readjust the salaries of government employees by more than 100 percent. "There is nothing that the minister can do within the



government when his plans are ignored," one of Bresser's friends explains. "The minister feels as though he is in limbo." This sensation of immobility derives from the fact that Bresser's technical solutions do not have the political support of Sarney and the PMDB. He does not want a new economic shock treatment—a move so much to the liking of Sarney and the PMDB—but the party rejects the orthodox repertoire of economic therapies that the minister wants to prescribe. Bresser feels he is being pressured to prepare a new shock treatment immediate, the results of which would inevitably be inconsequential because of the disorganization of the economy. "It would be worse than either the first or the second freezes, because this time no one would comply with even the SUNAB [National Superintendence of Supplies] schedule," a close adviser to the president said derisively. Bresser knows this. In a recent conversation with a friend, he frankly acknowledged: "It is not the Ministry of Finance that controls government spending, for it only pays the bills. Nor is it the Ministry of Finance that plans the spending of the Union and the states."

Last Monday, coincident that the rumors that Bresser had resigned, an avalanche of phone calls swamped the desk of his chief administrative aid, Luiz Alvaro de Oliveira. "Look," Luiz Alvaro exclaimed at one point; "that could be only if he sent the letter of resignation by facsimile, because the president is at Alvorada and the minister is in Sao Paulo." Bresser, too, has had his outbursts of impatience. The most recent occurred when—at his request—his adviser Claudio Adilson Gonzalez presented him with a graph showing that the value of the minimum wage had declined by 8 percent in real terms since June. "That's impossible," the minister said angrily. "The graph is wrong, because I granted an increase every month."

The fact is that the principal advisers at the Ministry of Finance are unable to conceal their discouragement and believe that Bresser's resignation is only a matter of time. Prevented from doing what he believes to be right, he will—they believe—reject any new freeze and submit his resignation. "Bresser's main problem is being in the government without having the backing of the government," is the conclusion drawn by businessman Claudio Bardella, with whom Bresser had lunch privately last Monday in Sao Paulo.

The analyses that reach Sarney's desk, however, exempt the politicians and the other ministers from responsibility for the return of inflation. "He is the one who failed, by allowing prices to float," one presidential adviser declared emphatically. The problem is that in Sarney's view the return of double-digit inflation is a threat to the stability of his administration. The president has already admitted to at least one of his interlocutors that he would rather see prices frozen than see the New Year arrive with inflation at the 20 percent level. He is therefore likely to have to find someone who is interested in jumping into a frying pan than by then will have already fried three finance ministers in a row.

10992/9274

### **PETROBRAS July-December Losses May Exceed 33 Billion Cruzados**

33420022c Sao Paulo O ESTADO DE SAO PAULO  
in Portuguese 3 Nov 87 p 30

[Text] Rio—PETROBRAS, the largest company in Brazil and Latin America, is running the risk of recording a loss in the second half of the year greater than the 33 billion cruzados accumulated in the first 6 months, due mainly to the high costs connected with the marketing of alcohol and the currency difference in the oil account.

That warning was conveyed to President Jose Sarney but thus far the government has not taken any measures to prevent PETROBRAS from reaching the bottom of the well this year. According to the company's directors, no political regime has hurt PETROBRAS so much as the New Republic, beginning with the disastrous effects on the company's revenues by the price freeze ordered by former Finance Minister Francisco Dornelles, federal deputy for the PFL (Rio de Janeiro) in the period March-June 1985 at the beginning of the Sarney administration. "We already miss the days of General Medeiros." That is how a high-level PETROBRAS executive refers today to the company's situation during the Figueiredo administration, in which a direct line between the former president, [words missing] Shigeaki Ueki, and the former chief of the National Intelligence Service (SNI), General Octavio de Medeiros, contributed to resolving the main problems of the state enterprise without delay.

The threat a big loss by PETROBRAS for the second half of this year is the result, in the first place, of the 8.7 billion cruzado deficit of the so-called "alcohol account" up to September. The loss was accrued owing to the fact that since February of this year, PETROBRAS has been receiving from the sale of alcohol to the distributors less than it pays to the producers. At the present time, that difference is 2.51 cruzados per liter, which results in a loss of approximately 2 billion cruzados per month. In the second place, there are the heavy financial costs of maintaining the stock of 2.7 billion liters of alcohol, which represents the immobilization of no less than 41 billion cruzados for the company, practically half of the value of its investments this year, estimated at 84 billion cruzados.

Up to now, PETROBRAS has accumulated losses of 12 billion cruzados in the oil account, stemming from the currency difference between the dollar paid by the country to import oil and the value of the U.S. currency counterpart in cruzados in the price structure of the derivatives. At the present time, PETROBRAS pays about 56 cruzados per dollar bought to import oil, while in the price structure of the derivatives it is compensated at 47 cruzados per dollar. In another sense, this means that a barrel of oil is costing PETROBRAS \$26 but the company is being compensated only \$18.73 per barrel.

Another source of the loss to be recorded by the state enterprise by the end of the year lies in the unpaid bills for supplying fuel to various state companies. As of now, that amounts to no less than 25 billion cruzados, 80 percent of which is owed by ELETROBRAS for the receipt of fuel oil to power the thermoelectric plants (reactivated since the middle of last year due to the energy crisis). The Federal Railway Network and the National Highway Department complete the list of state companies in arrears in their payments to PETROBRAS.

In the face of that situation, according to company executives, the board of PETROBRAS considers itself a complete orphan in the government structure, having no one to whom it can have recourse to reverse the prospects of a heavy loss this year.

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### **Privatization Program Analyzed**

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[Article by Julio Cesar Mendes, Manager of the Economic Planning and Studies Bureau of the Securities Commission]

[Text] The strengthening of free enterprise and the privatization of companies now under government control is an idea that is perfectly consistent with and most opportune under the current Brazilian political situation. At a time when the Constituent Assembly is debating ways to reorient the Brazilian economy to enable it to achieve lasting and self-sustained growth, as well as to correct serious distortions in income distribution, it is appropriate to raise an issue that is of prime importance in the attainment of those objectives, i.e. the conspicuous presence of the government in business activity.

The process through which the Brazilian economy has developed in recent times is intimately related to the multiplication of government-controlled companies, and it is not difficult to point out the successes and failures of the interventionist policy that, beginning in the 1930's, was responsible for the rapid industrialization of Brazil.

It is not the purpose of this article to analyze that policy, since it has already been the subject of countless in-depth studies. Nevertheless, there exists today a certain amount of consensus that the nationalization of the Brazilian economy has exceeded the limits acceptable for a capitalist economy and that the government must reduce its participation in business activity in favor of private enterprise. The government should, therefore, restrict its entrepreneurial role to those activities which do not attract the private sector, or those absolutely essential to the industrial development process. This would entail the privatization of most of the companies under its control. The government would then be able to

focus its efforts on the companies that remain under its control, restoring them to financial health and increasing the productivity and accountability of their management.

Brazil has already embarked on a privatization program. It was formally inaugurated with the establishment of the National Debureaucratization Program in 1979. However, looking at the results achieved during its 7 years of existence, one sees that the privatist philosophy of our officials has not yet adopted the toughmindedness that could significantly reduce the role of the State as businessman. It must be acknowledged, however, that some steps have been taken in that direction. There was a time when the government did not even know how many companies it controlled; now it knows exactly how many there are because it implemented an operational audit program intended to improve control over its resources and expenditures, and it has curbed the creation of new government-controlled companies.

It is undeniable that any effort to privatize the Brazilian economy must be carefully executed because it implies a thorough transformation of historic magnitude, and carries risks of interrupting the development process. However, such an effort is completely feasible. Brazil now has a sizeable private enterprise system that has achieved relative maturity through the exercise of free competition and expresses an interest in absorbing the government-controlled companies. What is lacking is a clear determination on the part of the government as to which companies might be made private, and what tools might best be used to accomplish this.

The primary purpose of this study is to review the history of the Brazilian privatization program, both in regulatory terms and in terms of the results achieved. Insofar as possible, we shall try to evaluate it and make suggestions for correcting its missteps. Let us now move to a brief account of the background of the nationalization process, and a contemporary profile of the government as businessman.

### **Nationalization in Perspective**

The current cycle of expansionism as regards the government's role in the Brazilian economy began in 1930. It should not be viewed as an isolated phenomenon, inasmuch as innumerable countries—many of them enjoying a privileged economic status when compared with Brazil—set out on the same road during that period. At the root of this trend was a questionable interpretation of the then-emergent Keynesian theory. This philosophy left to the state the responsibility of compensating for the insufficiency of effective demand during recessions. But according to Keynes, the state's interference was to be limited to increasing public spending or cutting taxes, if and when there was insufficient effective demand for manpower.

Nevertheless, what actually occurred was a massive intervention by the government into private enterprise. On the one hand, the visible regulation of commercial and financial activities was institutionalized; on the other, the government threw itself unhesitatingly into business activity—especially into the sectors considered to be strategic under the various economic recovery plans (in the case of the developed nations), or the industrialization support plans (in the underdeveloped economies).

In this context, we should mention the post-war escalation in nationalization that took place in developed nations such as Great Britain, Austria, Italy, France, and Germany, where the government's participation in productive activities reached even higher levels than in Brazil (Table 1.)

Government participation in production activities attained significant levels in Brazil chiefly in those infrastructure sectors where private enterprise lacked the funds to meet the demand, or wasn't interested because of the high risks involved. Sometimes private enterprise was discouraged by the government's attribution of a monopolistic character to business in certain strategic sectors.

Ambitious desires to industrialize Brazil quickly, combined with periodic forays into statism in the social area, brought about the acceleration of that interventionist process. The private sector—reluctant to take risks on large-scale investments with long maturity periods—did little to counter this. We must also remember that the absence of a vigorous and efficient market for capital and long-term securities, owing to the chronically inflationary atmosphere of the Brazilian economy during recent decades, contributed greatly to a situation where the state appropriated such investment decisions to itself.

This being the case, the government—almost always employing taxation as a tool to generate forced savings—threw itself into investments which resulted in a marked degree of government activity in the monopolized services sectors (electricity, telephone, public transportation, etc.); in basic industries (steel, petroleum, etc.); and in areas important to the formulation or execution of economic policy, such as financing and farm credit and services.

In another shift, innumerable companies were added to the list of government-controlled enterprises. This was typically accomplished through conversion to equity of loans and financing granted by government financial institutions. Sometimes nationalization afforded a way of protecting the government's minority holdings in private companies when the latter were on the brink of insolvency. So, the state's direct engagement in economic activity—although it was supposed to have only supplemented to the role of the private sector and thus limited itself to setting up the conditions necessary to

development of economic sectors that were not attractive to private enterprise—occurred too rapidly, and in a disorderly fashion. It must be noted that this process was not restricted to the federal sphere, but carried over with full force into the state and municipal areas, where we now find government corporations playing a prominent role. However, we shall restrict ourselves to discussing the government-controlled companies within the federal sphere, since they are the ones eligible for privatization in the process we are studying.

According to the Register of Government-Controlled Companies drawn up by SEST in September 1981, the federal government held control of 297 companies in the production sector alone. These operated in the widest possible variety of areas—from hotels, book publishing, and vegetable oil refining to typically monopolized activities, such as production and distribution of electricity and telephone services.

Despite the fact that some smaller companies escaped government control—whether because of privatization (as we shall see later on), or even because of simple extinction, one must realize that the source of potentially nationalizable companies was not exhausted. Bndespar, whose purpose is to temporarily hold minority interests in the capital of private Brazilian companies, *inter alia* by conversion of credits, held a considerable volume of shares and quotas of 187 companies, worth \$1.2 million, in its December 1985 portfolio. The evolution in the number of companies in whose capital Bndespar held an equity interest during 1980-85 is depicted in Table 2. There we find that, during the period under consideration, there was an increase of about 40 percent in the number of companies in which Bndespar had a share of the total capital; however the numbers indicate a drop of about 60 percent when analyzed from the standpoint of voting capital.

### The Problems of Nationalization

In contrast to private firms, which obtain their funding on the basis of their efficiency, government-controlled companies increasingly require public funds if they are to grow. They expand to the extent permitted by available government funding. The lack of a commitment to efficiency, and the use of government-controlled companies for purposes other than the generation of profits, makes them vulnerable to two chronic problems: (a) their use as an instrument of political power, which makes the limits of the available financial resources excessively elastic and transforms the companies into a of the prime source of inflationary pressure; (b) indiscriminate use of such companies by governments to implement macroeconomic policies aimed at financing the balance of payments and fighting inflation, which leads to excess indebtedness and deterioration of their prices and tariffs.

Furthermore, the fact that the government operates on a monopoly, or near-monopoly, basis in the industries and services that are the foundation of the Brazilian economic system forces it to promote increased investments in those companies in order not to choke off economic growth.

Nevertheless, in a capitalist economy where government and private companies must coexist, it becomes difficult to sustain an inefficient public sector indefinitely. There is a certain minimum degree of productive sector efficiency below which the government's political support itself becomes a liability. Comparisons will inevitably be inspired by the discrepancy between the financial earnings of the two sectors, and the economic consequences of excessive government spending on those companies cannot help but become obvious.

One of the indicators commonly employed to measure company performance in terms of profitability is the coefficient of return on equity capital, calculated as the relationship between net profit and net worth. According to the data in Table 3, the government-controlled production sector was less profitable than the private sector of the economy throughout the 1980-85 period. Moreover, the discrepancy between the sectors is substantial, as shown by the average values of the coefficients for the six financial years analyzed: 3 percent (government-controlled), 12.5 percent (private domestic), and 12.1 percent (foreign).

Two factors, mentioned earlier, made a decisive contribution to that critical performance; excess indebtedness, especially foreign currency indebtedness, and the deterioration in the prices and tariffs charged by several of those companies.

The high levels of government enterprise indebtedness are revealed in Table 3. During the 1980-85 period, the coefficients of general indebtedness were consistently and significantly higher than those of private Brazilian companies, and were exceeded by those of the foreign companies only in 1981 and 1982.

As a consequence, the financial outlays and net monetary flows devoured larger and larger portions of the net earnings of the government-controlled companies, (Table 4). Looking at the principal groups of consolidated government companies—Petrobras, CVRD, Telebras, Siderbras, Eletrobras, and Portobras—we find that their financial charges associated with the exchange rate and currency indexation of their debt exceeded the total of their net earnings for 1984 by 36 percent. In 1980, the level of commitment of those earnings had been only 37 percent. The effects of the February 1983 maxi-devaluation of the cruzeiro and the high interest rates on the world market were very damaging to the economy of those companies, among whose liabilities foreign currency indebtedness now predominated (Table 5).

Analyzing the behavior of the net earnings of the government-controlled companies—still looking at Table 4—we see that the earnings generated in 1985 were lower, in real terms, than those of 1980, despite the significant increase in physical output observed in the same period. Although presented in different levels of aggregation, Table 6 shows this clearly, especially for the petroleum, electricity, and telecommunications sectors, where the rates of increase in production during the 1980-85 period were substantial.

Thus we can conclude that the average prices and tariffs charged by government-owned companies declined in real terms more than proportionately to the average growth in production for the same period.

The real indices of sectoral prices presented in Table 7 are a good measure of the deterioration of the prices and tariffs charged by the government-controlled production sector. We see that throughout the 1980-85 period, except for the Petrobras group which in 1985 had its prices reset to 1979 levels, all the other groups of companies in our analysis experienced serious reverses because of the federal government's price policy, which maintained the earlier practice of not allowing price adjustments to keep pace with inflation. Thus in 1985, the prices charged for services by companies in the Telebras group represented only 48 percent of those charged in 1979; while those of Petrobras represented 63 percent; those of Siderbras, 81 percent; those of Eletrobras, 72 percent; and those of CVRD, 85 percent.

It must also be kept in mind that inasmuch as the asynchrony in prices persisted, to a greater or lesser degree, throughout the period, the cumulative loss of earnings had dire effects on the net worth of those companies.

Such a sharp decline in public prices and tariffs for the sake of an anti-inflationary policy ought to have been accompanied by a corresponding increase in productivity in the government-controlled productive sector. Despite the efforts of SEST in this regard, the results were less than desirable.

There is, as we know, a certain downward inflexibility in the levels of employment and the efficiency of labor in the public sector. This is not due to any legal limitations on the companies, but to the political nature of their management. Furthermore, many of those companies (except the export firms) operate in the non-competitive world and therefore don't feel compelled to take advantage of technological advances that are so necessary in order to achieve increases in productivity.

As a result, internal generation of savings by the government-controlled production sector fell by about 14 percent (according to SEST figures) during the period under review.



This circumstance, together with the inviability of increasing the level of indebtedness of those companies, (net credit transactions fell by 13 percent) because the conditions which had existed previously for obtaining foreign credit were no longer present, financing of new investments by government-controlled companies then had to depend on the financial resources of the national treasury.

This meant that the treasury's participation in the total savings flow of the sector climbed from 16.5 percent in 1980 to 20.2 percent in 1985, (Table 8).

It is recognized that the current state of the country's public finances will not permit an even greater commitment of its tax revenues to the government-controlled productive sector; much less can it contribute the enormous amounts needed to conduct the accelerated growth of the economy.

Because of this, we find today that basic sectors such as energy, telecommunications, transportation, and warehousing are already showing definite signs of exhausting their capacity and could, in the short run, strangle the country's economic growth.

In light of this prospect, and realizing that fresh increases in the tax burden and in domestic public debt are hardly feasible, the government has, once again, opted for forced savings as a source of funds with which to finance the government-controlled productive sector.

Recently (July 1986) the National Development Fund (FND) was created to function in a manner similar to that of the Italian state-owned holding company IRI (Institute for Industrial Reconstruction), i.e., its purpose is to manage the liabilities of the government-controlled companies, working toward their long-term refinancing. The objectives of the FND transcend mere restoration of the health of these companies. As it raises funds through the compulsory loan, disposal of surplus shares that the federal government holds in some government companies, and other means, it also plans to finance the investments of those companies in such a way as to support a 6 to 7 percent growth in the GNP during the coming years.

The National Development Fund certainly may be able to supply the funds needed to expand the business of the government companies and, if well managed, may be able to put the sector's finances in order. However, the fundamental problems inherent in those companies will remain unsolved. We refer here to the low efficiency and the absence of administrative autonomy in relation to the political world. The latter usually implies the former.

This is why a program to privatize these companies—even some of them that operate in the sectors of monopolized services and basic industries—is so appropriate at this point in time.

The difficulties encountered in carrying out such a far-reaching privatization process are great. However, the success Great Britain has been having in its privatization program of recent years—as we shall see later—indicates that such a move is also feasible in Brazil.

Having identified some of the main problems created by nationalization, we shall now look at the Brazilian privatization program in terms of its regulatory aspects, its limitations, and the results obtained so far. We shall try to make this analysis in the light of the British experience with their privatization program and, insofar as possible, suggest viable alternatives for the Brazilian program.

#### **The Brazilian Privatization Program: Regulatory Aspects**

Announcing as its primary objectives a stronger free enterprise system, an end to indiscriminate creation of government companies, and the creation of the necessary conditions for the transfer of the control of government companies to the private sector, the National De-Bureaucratization Program, instituted by Decree No. 83,740 of 18 Jul 79, was really the first indication of any federal government intention to denationalize.

As an outgrowth of the above-mentioned program, an Office for the Control of Government Companies (SEST) was created on 29 Oct 79 by Decree No. 84,128. It is the central body for controlling the resources and expenditures of government-owned companies within the Seplan structure. Thus the government was able to systematically set up and maintain current a nationwide register of government-controlled companies which, although far from promoting sufficient disclosure of the activities of these companies, shows itself to be an indispensable tool for government decision-making as it tries to solve the crucial problems of the public sector regarding efficiency, functionality, economic profitability, price and rate-setting, comprehensive limits on expenditures by its productive apparatus—and, therefore, the very feasibility of a privatization program.

The next step was taken with Decree No. 86,215 of 15 Jul 81, which set the rules for the transfer, conversion, and deactivation of companies controlled by the federal government. The minister-chief of Seplan, the treasury minister, and the de-bureaucratization minister were then assigned to direct, supervise and expedite—under the coordination of the minister-chief, Seplan—the process by which control over federal government companies would be transferred or the companies themselves transformed or deactivated.

Sole responsibility for the actual implementation of these measures was given to a Special Commission composed of a representative of each of the three aforementioned cabinet ministers and subordinate to them.

Thus it was the task of that commission to survey, identify, and tentatively select the companies to be either transferred to the private sector or else deactivated, and to establish the conditions and values that would serve as the basis for negotiating the transfers.

In this way, the process of privatizing or deactivating government companies would find in the technical sectors of the government the impulse for subsequent approval by the president of the Republic.

Regarding the transfer of company control to the private sector, we should particularly mention the restrictions on the foreign investor, because Decree 86,215 reserved to Brazilian citizens residing in Brazil, or to companies or a group of companies under Brazilian control, the right to acquire control over the companies that are to be privatized. The new owners were, furthermore, required to sign an irrevocable commitment to keep the capital and management of the acquired companies in Brazilian hands.

These rules remained in effect until 28 November 1985, when Decree No. 91,991 was issued. With some changes introduced later by Decree No. 93,606, this measure governs the procedures for privatizing companies that are under the direct or indirect control of the federal government.

Decree No. 91,991 made fundamental changes in the earlier system, but upheld all the admissions to the program that had already been approved by the president in statements of justification on or before the date of the decree.

This decree modified the very concept of privatization, inasmuch as the program came to include, without distinction, the opening up of company capital, the disposal of equity interests, and the deactivation of companies controlled by the federal government.

Furthermore, the actual selection of the companies to be made private, and the decisions to open up the capital of certain government companies, were now to be handled by the president of the Republic via decree. Thus these actions gained a political connotation which they had previously lacked.

In addition, an Interministerial Council on Privatization was created, composed of the minister-chief of Sepplan (who presides), and the ministers of treasury, de-bureaucratization, and industry and commerce. Ministers of state who have within their ministries some of the companies included under the privatization program are also members. The function of this council is to implement the privatization procedures pursuant to the provisions of Decree 91,991.

In operational terms, the proceedings would now be directed by the cabinet minister with whose jurisdiction the company selected for the program is associated. He

may call upon a private-sector consulting firm for advice. The authority to select and register the companies that will conduct the negotiations concerning capital and the transfer of ownership control rests with the BNDES.

It should be noted that the limitations imposed by Decree No. 86,215 on those who purchase equity control of government companies—this privilege was restricted to Brazilian citizens and companies—were continued under the current legislation. However, the subsequent maintenance of Brazilian control of the capital and management of the acquired companies is no longer required.

It is also worth pointing out the concern that all phases of the transfer be open and aboveboard. The transactions are to be analyzed and monitored by an outside auditing firm and, whenever possible, the transfer is to be accomplished via the securities exchanges.

Decree No. 93,606 of 21 Nov 86 amended Decree No. 91,991 in the following respects: the privatization processes would subsequently be initiated, conducted, and supervised by the Interministerial Council on Privatization, rather than the minister of state with whose jurisdiction the company included in the program is associated; and the council won the responsibility, taking it away from the individual minister, to hire outside consulting and auditing companies to advise it in setting up the privatization operation and to review and monitor all phases of the transaction.

Having described the regulatory aspects that shaped Brazil's privatization policy, as well as the mechanisms and procedures for the transfer, transformation, and deactivation of such companies, we shall now proceed to look at the results achieved under the program.

#### **The Brazilian Privatization Program: Results Achieved**

The results attained so far under the Brazilian privatization program convince us that both the privatist ideology contained in the regulatory instruments that gave legal form to this program and the repeated statements of our officials in favor of the free enterprise system are meeting serious resistance.

In fact, more than 7 years after the start of the program, only 17 of the approximately 300 companies that were in the government-controlled production sector in 1980 experienced the transfer to the private sector of the economy of the control over their capital (Table 9). Transfer proceedings for 16 of these were completed between 1980 and 1984. Furthermore, according to the "Profile of Government-Controlled Companies," published in 1986 by SEST, 21 government-controlled companies had been included in the privatization program as of September 1986; 17 of these had been admitted by

statements of justification approved prior to Decree No. 91,991 and only four initiated their admission procedures under the current decree.

Other companies were taken into the program after September 1986 and their privatization plans are being studied by federal government agencies.

To date, the privatization program has covered only companies that had been under the temporary control of the federal government—those established by the private sector but later nationalized because of failure to meet obligations to the government, or those in which the government's equity interest was initially only a minority interest. These firms were considered to be minor within the context of the universe of government-controlled enterprises. Therefore, only a little more than \$190 million has been obtained under the program. This figure represents only 0.6 percent of the December 1985 net worth of government companies in the productive sector (\$33.7 billion) and only 1.5 percent of the market value of publicly-held government companies as of that same date (\$13.1 billion). Furthermore, compensating for the transfer of these companies to the private sector, the volume of funds raised on the securities market through the primary issue of shares in publicly-held government companies during the same period was on the order of \$16.2 billion. A major portion of these issues were offered by companies that are legally banned from being privatized.

The companies that have not yet been privatized but which have been admitted into the program—according to the SEST register of 1986—are listed in Table 10.

According to the data on the assets and finances of these companies, also shown in Table 10, the federal government's share of their net worth, as of 31 December 1985, was approximately \$1.5 billion. It would be impossible in most cases, however, to complete the transfer of these companies to the private sector in the near future, because of the strong economic-financial disequilibria they exhibit—every type of situation from negative net worth in some cases, to generation of an overall negative net profit during the last two fiscal years of the period analyzed.

We conclude, therefore, that the Brazilian privatization program has not yet attained its proposed objectives. One way of measuring the timidity of the steps taken is to compare them with the British privatization program, effected during the same period as the Brazilian plan.

Great Britain was able to transfer to the private sector—just by public issues of shares since 1981—its controlling interest in British Aerospace, Britoil, Cable and Wireless, Amersham International, Associated British Ports, Enterprise Oil, British Telecom, and British Airways. It did so in transactions that represented some \$12.7 billion in funds. Furthermore, control of other major companies, notably British Gas, is being negotiated.

Other privatization mechanisms have been employed successfully: assets in six companies were sold to private firms, the government financed the acquisition of controlling interests in two companies by their employees and officers, and the entire stock of two other companies in sectors considered to be strategic was sold to institutional investors.

This success was primarily due to the massive use of the stock market, which responded favorably to government encouragement. It was also advantageous that the government offered shares in major government-controlled companies to the public only after they had been submitted to a rapid overhaul of their finances and some operational restructuring.

Care was taken, thus, to refurbish the image of a company prior to offering it to the public, in order to ensure its acceptance by the private sector. To this end, the companies were submitted to an internal restructuring program beginning in 1979 to prepare them to operate in a competitive world. The plan consisted of a far-reaching reorganization of their administrative and marketing structure, their accounting practices, and their costs and earnings, as well as a complete change in their personnel policies.

In the cases of British Telecom and British Gas, for example, the restructuring began by dealing with the problem of the prices and tariffs charged by these companies. Then an independent authority was set up—one that was not associated with either government or industry. Its objective was to administer the industry's price structure in such a way as to prevent the abuses of a monolithic organization, yet enable the companies to improve their profitability. This made it possible to present the firms to the investor as truly competitive concerns that were not subject to economic and political factors outside the realm of their business activity.

Another important aspect concerns the accounting practices adopted by monopolistic companies. These are not always compatible with procedures followed by competitive private companies. Taking the British case as an example, the methods employed to depreciate and appraise assets led to major distortions in the equity and the financial earnings of government companies, which adversely affected their credibility in the eyes of the investment community. Thus, during the preparatory phase preceding the opening up of the capital of British government firms, accounting practices consistent with those of publicly-held private companies had to be adopted. Moreover, the financial statements for previous years were adjusted in light of these accounting principles in order to satisfy the requirements made of publicly-held private companies when they submit their prospectuses.

Although the organizational aspects of the companies played a leading role in the success of the British privatization program, the mechanisms used to resolve

equally crucial problems also merit our analysis. We refer to the small scale of the stock market in relation to the enormous volume of securities issued, the manner in which they were marketed, and the method of determining the issue price.

In order to gain an idea of the magnitude of the offering made in order to privatize the British government companies, let us look at the case of British Telecom. The volume of funds investors needed in order to subscribe those shares in 1984 was approximately comparable to the total sums invested in all stock in the countries of Great Britain in 1983, and the market value of British Telecom shares was approximately equivalent to 5 to 6 percent of the value of the London Stock Exchange index. Shares worth \$6 billion were offered to the general public. The small investor played a vital role in this process. Almost two million individual investors bought shares in the company, attracted by a well-planned advertising campaign in which, for the first time, television was used to promote a stock offer. In addition, the government offered attractive terms to the employees of British Telecom; 200,000 of them became shareholders, and this undoubtedly was a factor in generating enthusiasm for the privatization program within the company. The interest expressed by the public even created a certain scarcity of shares, which aroused the interest of institutional investors, even outside Britain, and had the immediate effect of boosting the value of these shares on the market.

The growing internationalization of the securities market has substantially increased the amount of funds potentially available. Aware of this, the British government has tried to harmonize its marketing practices and its capital markets legislation with that of countries that have surplus capital. This effort is particularly aimed at accounting practices, and has done much to facilitate the marketing of shares in British government enterprises on foreign markets.

The questions of how to set the issue price and how to market the shares are interrelated. The strategy adopted by the British government in its privatization program called for disposing first of those companies which already enjoy credibility with the public, which means the sale price can be set at higher levels. The success experienced with these operations had a positive impact on the prices of the stock in government companies that were sold off later. The measures taken to improve the image of the sector in the minds of the public, as mentioned earlier, were also significant. Therefore, it is important that there be a capital market which is growing, but which has a stable body of rules that does not generate fluctuations that would traumatize the investment community. In the British case, market conditions became quite favorable to the privatization program, especially because it aroused great interest on the part of foreign investors. The price of a share in each specific company at the moment of actual distribution is signalled by the prices quoted earlier, when a certain

volume of those shares is offered on the stock exchange. The initial distribution price ensures the investor a certain amount of discount because of the natural drop in prices that occurs when a large volume of shares is offered, unless a significant change in market conditions occurs in the interim. In light of the British privatization process, we can conclude that government-controlled companies may transform both their image and the status of their commercial operations in a positive way within a relatively short period of time; that this new image has a highly beneficial effect on the market, making it possible to place sizeable blocks of shares; and that a successful outcome can immediately attract the interest of foreign investors in purchasing these shares, thereby facilitating subsequent privatization projects.

### **The Brazilian Privatization Program: Outlook**

Now that we have described the British experience, we shall end our analysis with some suggestions as to how the Brazilian privatization program may be made feasible—obviously we must, and will, consider the political and economic peculiarities of Brazil.

In the first place, in order for a privatization program to be successful, there must be greater conviction on the part of the government that only free competition promotes efficiency; that this, in turn, increases productivity and encourages innovation, resulting in a higher social return on the investments made. Such confidence in private enterprise would be bolstered by the immediate admission into the privatization program of large companies—especially profitable ones in sectors unrelated to national security that already enjoy credibility with the public and whose retention in the hands of the government is no longer justified.

Immediately thereafter, efforts should center on truly opening up the capital of as many eligible government-controlled companies as possible. This is the most democratic approach, because it gives outsiders access to the business affairs of these companies, makes the results of their management highly visible, and enables more people to scrutinize company activities. Furthermore, a public offering of shares, especially on a securities exchange, is the best means of providing a basis for setting the price at which the government-controlled company is to be transferred to the private sector.

Such a genuine opening up of capital involves not only the registration of the firm as a publicly-held company but, more importantly, the visible use of the capital markets as a source of capital and reserves. This, in turn, gives rise to a posture more consistent with the laws of the market.

The Securities Commission, CVM, lists 27 government-controlled companies on its register of publicly-held firms. Only a very few of these have shown themselves to be in a position to raise funds on the stock market by

winning the needed confidence of the investor community. Government-controlled publicly-held companies are listed in Table 11, along with data on their net worth, market value, and number of shares outstanding as of 31 December 1985.

We note from those figures that the shares of six of these companies are not been quoted on the stock exchange or the over-the-counter market. The shares of the other companies—except for Banco do Brasil, Petrobras, Acesita, CVRD and CSN—exhibit a low degree of liquidity, despite the favorable market conditions prevailing at the time. This is evidenced by the sharp decline in their market value, even if we make allowances for the fact that their assets have also been eroded by successive losses in previous financial years.

We conclude, therefore, that any effort to open up the capital of government-controlled companies must necessarily include parallel measures to restore financial health and restructure company operations so as to make the enterprises competitive and ensure their acceptance by investors. To that end, it is vital that these firms immediately adopt the posture of a competitive private company, with an administrative structure that is less dependent on the political sphere and is oriented toward maximizing the marginal return on its investments. We stress that such changes transcend the admirable efforts of SEST to improve control over the resources and expenditures of the government-controlled companies. After all, it is the market, acting through the minority shareholder who exercises his legitimate rights to examine the manner in which the company conducts its affairs, that has sufficient independence to be able to chart the course of the drastic changes that must be made in the profile of the government-owned companies.

This leads us into another issue that is essential to the success of the privatization program—the strengthening of the domestic securities market.

It is recognized that a profound restructuring of the legal standards that govern the securities market must take place if the market is to be invigorated and effectively opened up to foreign investors. The rules need to be more uniform, stable, and consistent with the current realities in the international capital market—besides being more strictly observed by the agents who operate in it.

As regards uniformity in the rules, for example, we should begin by allowing only those companies which are known to be subject to the rules of free competition, plus the government-controlled companies that are in the process of being privatized, to remain in the market. This would exclude from the capital market those government companies which cannot, under the law, be made private. Very often such companies, backed by the power of the government, behave in a manner that is at odds with the standards of disclosure so necessary to the proper functioning of that market.

These companies, needless to say, absorb a substantial parcel of private savings through the stock market, yet are often guided in their management decisions by government macroeconomic goals that frequently do not coincide with the interests of the minority shareholders. Furthermore, any scrutiny of the manner in which their affairs are administered lies far beyond the capabilities of these shareholders.

We should also note that the regulatory framework has been incapable of reducing the excessive instability of the levels of risk on the capital market, which are caused by factors that are not always related to the economic-financial performance of the publicly-held companies. This impedes the entry of many potential investors into the market. An example of this was the sharp real increase—more than 370 percent—that occurred in the Bovespa index between April 1985 and April 1986, and its subsequent return to near April 1985 levels. All this despite the absence of significant changes in the profitability of the companies involved during these periods.

Currently, the prices of the stock on the market are so depressed as to make offerings on the primary market inviable, as was the case in February 1987.

Only a few months ago the picture was completely different: the minimum value subscribed per month during 1986 was on the order of \$12 million, and total annual volume was about \$1.2 billion. In fact, the volume of shares placed on the primary market had been rising consistently ever since 1984, when public issues in the amount of \$527 million were recorded, compared with only \$251 million in 1983. This was due to increased liquidity in the secondary market as a result of the recovery of profitability by publicly-held companies.

Regulatory restructuring is, therefore, essential to a stronger securities market and thus to the feasibility of the Brazilian privatization program.

However, even this is not sufficient. The market today urgently requires restoration of the flow of savings that has been diverted from it, largely because of the government's macroeconomic policy, which has significantly reduced market liquidity in recent months.

Hence the importance of accompanying measures such as, for example, a reduction in taxation of dividends, the attraction of foreign capital to the securities exchanges, reinforcement of the stabilizing role of the institutional investors, guaranteed market access for small and medium-size investors (who were responsible for the success of the British privatization program), etc.

#### Final Observations

We conclude, therefore, that it is undesirable for the federal government to maintain its present contingent of government-controlled companies, particularly those in the productive sector. The gigantic proportions which

this bloc has assumed, has hastened the deterioration in the economic and financial profile of a major portion of those companies. It is, therefore, necessary to accelerate the privatization program to prevent this very deterioration from contaminating those other government companies which are still healthy, and to keep the effects from spreading even further into other parts of the economy.

The results achieved by the privatization program are evidence of its modest scope, which is primarily a result of the failure to adopt suitable means for disposing of those companies. In our opinion, the program should begin by transferring to the private sector those large companies which already have credibility with the public. This would open the way to full utilization of the stock market for subsequent privatization efforts.

In order that such mechanisms may be successfully employed, certain steps must be taken at the same time: restoration of the financial health and operational restructuring of companies that are candidates for privatization; thorough reformulation of the rules that govern the securities market to make it more trustworthy; and complementary measures that would help to attract a larger number of potential shareholders, including foreign investors, into the market.

Finally, we should mention that there are other mechanisms which could be used to facilitate the privatization process. For example, incentives could be created to encourage the purchase of the shares of those companies by their employees. Real wage increases might even be paid in the form of shares issued by the company.

12830



**20 Million Pesos in Insurance Payments for Crop Losses**  
*32480040b Havana GRANMA in Spanish 15 Oct 87 p 2*

[Article by Jose M. Norniella]

[Text] The payments the National State Insurance Enterprise (ESEN) has made this year to peasants who lost their harvests will total 20.6 million pesos by the time all damages have been paid for tobacco, sugarcane, and coffee.

The insurance plans that cover the crops of private farmers took effect in 1983. From that time through the end of last year, the ESEN disbursed 22.6 million pesos to compensate for ruined crops belonging to peasants.

Insurance is an activity that will be developed in our society for the purpose of alleviating the tremendous burden the state bears in indemnifying private sector farmers for crop losses out of its budget.

Insurance is a financial mechanism designed to achieve a more equitable distribution of monetary resources in the peasant sector. It is a means of establishing an indispensable monetary fund (the ESEN has its funds deposited in a special bank account) to cope with occasional losses of insured crops, thereby relieving the state budget of this type of outlay.

Pedro Roche, ESEN director, explained to GRANMA that in accordance with the policy of developing this important financial activity, new types of insurance will be available soon to cover agricultural production in the cooperative and peasant sectors.

These new insurance plans will cover risks to garlic, onion, tomato, pepper, and potato crops, as well as permanent plantings of coffee trees, sugarcane rootstalk, and tobacco seed beds. Insurance policies covering animals will begin with cattle and other agriculture-live-stock goods, such as kalfrisa, which is used in the process of curing light tobacco.

The ESEN director reported that the studies for expanding national insurance to banana and rice production have already been completed; coverage of these crops will begin later.

He stressed that the policy of charging low insurance premiums will continue, no matter how great the risks of production. In cases such as tomatoes, the premium will be the same for both harvests (cold and spring). Purchase of an insurance policy is voluntary for peasants.

08926

**Maternity Benefits Increased**  
*32480040a Havana GRANMA in Spanish 1 Oct 87 p 3*

[Text of law amending Article 10 of the Female Worker Maternity Law, passed by the National People's Government Assembly on 29 September 1987]

[Text] Whereas: The current Female Worker Maternity Law stipulates in Article 10 that: "The financial benefit received by the female worker during her maternity leave shall be equal to the average weekly income she has received in the form of wages and subsidies during the 12 months immediately preceding the beginning of such leave. These benefits shall never be less than 10 pesos (10.00) per week."

Whereas: During the years that have passed since the promulgation of the aforementioned Law, it has become apparent that in practice, the pregnant woman is often ordered by health professionals to take rest, which affects her in two ways. During that time, not only does she receive much less in subsidies than she is paid for working, but this circumstance also lowers the financial benefits she will receive later as maternity pay.

Whereas: Taking into account the disadvantage at which the woman who suffers the symptoms of pregnancy is placed in the course of the normal and favorable development of her gestation, it is necessary to adopt measures to eliminate the economic hardship occasioned by the loss of income, assuring the pregnant woman of equitable treatment that is commensurate with her situation, for which purpose it is necessary to amend the aforementioned Article 10 of the Female Worker Maternity Law.

Therefore, the National People's Government Assembly, by virtue of the powers vested in it by Article 73, Subparagraph b) of the Constitution of the Republic, has adopted the following

**Law**

Article 1. Article 10 of Law 1263 of 14 January 1974, the Female Worker Maternity Law, is hereby amended to read as follows:

Article 10. The financial benefit received by the female worker during her maternity leave shall be equal to the average weekly income she has received in the form of wages and subsidies during the 12 months immediately preceding the beginning of such leave. These benefits shall never be less than twenty pesos (20.00) per week.

**Final Provisions**

First: Any legal provisions and regulations that violate the provisions of this Law are hereby repealed.

Second: This Law shall take effect upon its publication in the Official Gazette of the Republic.

08926

**Sugar Worker Receives Liver Transplant**

32480040c Havana GRANMA in Spanish 27 Oct 87 p 1

[Article by Reynold Rassi]

[Excerpt] Ramon Lopez Isla, the first Cuban to live with a transplanted liver, was released last Saturday from the Medical-Surgical Research Center (CIMEQ) where he underwent a successful liver transplant on 17 July.

One hundred days after the complex operation, Ramon Lopez feels perfectly well. He is in high spirits, and the grafted organ is functioning normally.

Ramon Lopez Isla, 54, works for the Centrifuge Repair Enterprise of the Sugar Ministry in Arcos de Canasi, Santa Cruz del Norte, Havana Province.

This sugar worker needed a liver transplant because he was suffering from an incurable hepatic disease which would have ended his life soon.

08926



## **Reportage on Government's Position on 1988 Budget**

### **President Cerezo Defends Budget**

32480034 Guatemala City EL GRAFICO in Spanish  
9 Nov 87 p 5

[Text] The 1988 budget will have five features designed to meet the population's needs, stated President Cerezo at a press conference.

The first, he said, is investment in the maintenance of major infrastructure projects. He cited among them the Chixoy hydroelectric project (just the revision and ordinary repairs can cost over 20 million quetzales), and maintenance of roads such as the Puerto Barrios highway, which has been receiving IDB financing for 3 or 4 years, but requires matching funds.

He also mentioned the maintenance of ports and the construction of fishing ports such as at Champerico. In addition, funding must be provided to city governments for service projects.

He cited the expenditure of \$15 million by the National Institute of Electrification (INDE) to repair thermal power plants, in the event that Chixoy must be taken out of service.

The second feature is expenditures to maintain and increase the social services the government provides for the public. Among these, he mentioned medical care, teachers, schools, technical advisers, banks for small and medium farmers, and communications and services.

The third important aspect of the budget, stated Cerezo, is attention to neglected sectors.

These include small farmers and the nine categories outlined in the Presidential Memorandum, such as potable water, food, local roads, and education.

He also mentioned attention to the neighborhoods of Guatemala City, an area that has been neglected for 40 years.

The fourth aspect is the expansion of cultural programs, with a view to highlighting all the cultures and subcultures that have been ignored.

He cited the example of a grant of 100 quetzales a month to each of the 900 guilds, which amounts to 1 million quetzales.

He pointed out that the guilds, which represent the country's greatest cultural treasure, have been on the decline.

Finally, the president referred to the emergency situations that frequently arise in Guatemala. He said that the budget cannot provide for them in advance, but when such problems arise, they must be dealt with. As an example, he cited the catastrophe in Huehuetenango.

He emphasized that confidential spending is earmarked for covering such contingencies, and that the budgets of various secretariats and entities such as the National Emergency Committee contain such provisions.

### **50 Percent of Budget for Infrastructure**

32480034 Guatemala City DIARIO DE CENTRO  
AMERICA in Spanish 4 Nov 87 p 3

[Text] More than 50 percent of the State Budget of Expenditures and Revenues for next year will be earmarked for investment, which means that the percentage set aside for administration has been reduced, stated President Vinicio Cerezo yesterday.

He indicated that the current percentage has changed from what was originally proposed, which means that more than half the budget will go to investment. As a result, there will be more projects of various types, depending on the needs of the population.

He stated that each ministry is studying the way it will invest its budget.

As an example, the president mentioned the Ministry of Urban and Rural Development, whose budget calls for 52 percent of the investment to go to priority areas and 48 percent to non-priority areas.

He explained that priority areas are those outlined in the Presidential Memorandum that was released this year.

The problem is, he noted, many projects must be continued because of agreements and contracts signed on the basis of loans extended by foreign financial institutions, given that there are a great many contracts that cannot be changed overnight.

For example, the funds provided by the IDB for the construction of Highway CA-9 North (Rio Hondo-Puerto Barrios section) cannot be used for any other purpose.

### **Dollar Value of Budget Unchanged Since 1981**

32480034 Guatemala City DIARIO DE CENTRO  
AMERICA in Spanish 5 Nov 87 p 4

[Editorial: "Budget Unchanged Since 1981"]

[Text] As the debate rages over passage of the National Budget of Expenditures for 1988, no one seems to have paused to reflect on a very important aspect, the changes that have occurred in the last 7 years in the parity of the Guatemalan currency with respect to the dollar.

In 1981, if we are not mistaken, the National Budget of Expenditures amounted to about 1 billion quetzales, and the quetzal was on a par with the dollar. This means that all machinery such as tractors and vehicles, medicine for hospitals, surgical implements, construction materials both domestic and imported, ambassadors' salaries, and payments on the foreign debt—in short, most of the investment in purchases and spare parts, as well as payments on debts to foreign credit institutions, were made in quetzal-dollars, that is, on a par.

Now, the state must make all of those payments at the exchange rate of the dollar on foreign markets. In other words, what cost 1 quetzal in 1981 now costs 2.60 or 2.70 quetzales. All state investment today is multiplied by the exchange rate of the U.S. dollar, so that what used to cost 1,000 quetzales now costs 2,700 quetzales.

If the entire state budget were invested in purchases and payments abroad, what amounted to 1 billion quetzales in 1981 would now cost 2.7 billion quetzales.

But this is not precisely correct, because much of government spending is paid out in quetzales within Guatemala, as salaries to public officials or purchases of components, as well as operating costs within the government structure.

Nevertheless, the rise in costs for what is purchased in Guatemala, plus the increase in what is paid to public officials in salaries and bonuses, means that the budget submitted to the deputies for analysis and approval is actually smaller than the one passed in 1981.

Just the increase in the bonus (50 quetzales under the Mejia V. government) and salaries of public officials (clerks, teachers, etc.) between 1985 and 1987, and the 25 quetzales offered in 1988, and the annual vacation pay of 100 quetzales, paid to approximately 172,000 public employees, yields an approximate annual figure of 400 million quetzales. As we said, this is just the increase in salaries and bonuses to public employees in the last 4 years, from 1985 to 1988.

If we add to this the fact that in 1981 the population was approximately 7 million Guatemalans, and the 1988 population will be more than 8.5 million, according to the growth rate of the Guatemalan population of 3.0 to 3.1 percent a year, we see that the state must meet the needs of more than 20 percent of the population and provide the necessary services, such as education, health, supplementary school meals, roads, hospitals, medicine, etc. In terms of quetzales, this amounts to 20 percent of the budget allocations for services and infrastructure.

Putting together all these figures, we reach the conclusion that the current budget is not only no greater than the 1981 budget, but is actually smaller.

In fact, let's put aside this realistic analysis. The population of Guatemala needs more state investment to emerge from the underdevelopment it has suffered for centuries. With a few honorable exceptions, it has not been private initiative that has built hospitals for the poor or even for the middle class; nor does the private sector tend to spend its income on school construction or the creation of new teaching jobs; neither does it undertake housing projects for the low-income population (as in countries such as Costa Rica). No, it leaves such tasks to state institutions, regarding them as unprofitable.

This is why the state, no matter who is in power, has the responsibility of giving the people the material, sanitary, educational, and organizational infrastructure they need so that through their own efforts and with state support, they can emerge from the collective poverty in which they are mired.

The deputies should think carefully about what they are going to do with the new budget, regardless of political-partisan interests. Because every quetzal that they take out of the national budget may very well be taken away from those who need the most help in Guatemala.

The government has already taken steps to cut back certain institutions and merge other offices for the purpose of eliminating high-ranking executive positions and additional expenses. The president has even cut a high percentage of the discretionary spending allocated to the President's Office for 1987. Those funds are the source of much aid that is not allotted in the National Budget and is needed for tragic cases such as the mudslides in Huehuetenango, which caused huge material losses and cost the lives of hundreds of residents of the region.

The executive and legislative branches have good intentions, but there is also agreement about what should be done from now on to shoulder the burden of a social debt that was incurred by previous governments with respect to the Guatemalan people. We must begin to pay this debt now. Otherwise, social violence, far from declining, will increase to dangerous levels that will affect all of us.

08926

#### **1988 Budget Receives Final Approval**

*32480041a Guatemala City PRENSA LIBRE  
in Spanish 20 Nov 87 p 4*

[Text] The state revenue budget for 1988 was passed on the second reading yesterday. The budget amounts to 2,952,961,363 quetzales, and is distributed among the following general categories:

Current revenues, Q2,142,421,000. Tax revenues, Q1,673,835,992. Taxes, Q1,605,101,135. Taxes on foreign trade, Q446,660,169. Import tax, Q326,589,057.

Export taxes, Q120,071,112. Taxes on goods and services, Q827,090,232. General taxes, Q559,624,037. Special taxes, Q267,466,195. Capital taxes, Q60,828,763. Revenues from corporate and personal income, Q268,699,604. Miscellaneous taxes, Q1,822,367.

A total of Q68,734,857 will come from rates. Tax revenues, Q34,816,610. Non-tax revenues, Q183,111,726.

Current transfers, Q230,640,651. Specific revenues, Q20,016,021. Capital revenues, Q810,540,363. Sale of assets and compensation, Q8,600,000. Resources from public credit, Q801,940,363. External sector, Q307,727,869. Loans from the United States Government, Q13,548,024. From regional organizations, Q13,236,800. From non-regional organizations, Q280,943,045. From the Agency for International Development (AID), Q43,432,222. International Bank for Reconstruction and Development, Q12,856,911. Inter-American Development Bank (IDB), Q160,015,014. Financial entities, Q59,436,083.

From the Republic of France, Q47,820,865. Republic of Germany, Q11,615,218. Other international organizations, Q5,202,815. Credits in public securities, Q494,212,494.

In sum, current revenues: Q1,142,421,000. Capital revenues, Q810,540,363. Total: Q2,952,961,363.

#### **Budget of Operational Expenditures**

The budget of operational expenditures is broken down as follows:

Agencies and Ministries: Operational program, Q906,471,893. Current transfer program, Q720,693,248. Total: Q1,627,165,141.

Budget for the Legislative Body: Q10,969,298. Executive Body: Presidency of the Republic, Q30,294,000. Vice Presidency of the Republic, Q2,822,179. Secretariat of Social Welfare, Q9,733,182. National Reconstruction Committee, Q6,674,381.

Ministry of Foreign Relations, Q35,517,321. Ministry of Government, Q101,484,329. Ministry of National Defense, Q247,766,060. Ministry of Public Finance, Q76,949,280. Contribution to Judicial Body, Q33,530,747. Contribution to Supreme Electoral Tribunal, Q7,632,687. Contribution to decentralized entities and other institutions, Q104,427,418. Passive classes, bonuses, and other benefits, Q152,213,989. Ministry of Education, Q290,636,123.

Contribution to the University of San Carlos of Guatemala, 5 percent of current revenues, Q76,326,867.

Ministries: Public Health and Social Assistance, Q207,731,161. Labor and Social Benefits, Q5,252,496. Economy, Q7,167,263. Agriculture, Livestock, and

Food, Q68,755,911. Communications, Transportation, and Public Works, Q100,359,650. Energy and Mines, Q5,480,900. Specific Matters, Q709,105. Culture and Sports, Q18,990,221. Urban and Rural Development, Q17,618,793. Public Ministry, Q2,502,168. General Controller of Accounts, Q5,619,605.

#### **Budget of Expenditures on Public Debt**

Ministry of Public Finance, internal debt, Q417,698,918. External debt, Q196,761,915, for a total of Q614,460,833.

Total outlays for operational budget: Q1,627,165,141. Capital, Q711,335,389, and public debt, Q614,460,833, for a total of Q2,952,961,363.

08926

#### **Newly Passed Property Appraisal Law Attacked** *32480041b Guatemala City EL GRAFICO in Spanish* 4 Dec 87 p 5

[Text] Guatemala, 4 December—Centrist leader Jorge Carpio Nicolle is extremely concerned about the passage of the Single Self-Appraisal Tax Act, because he considers it not only a two-edged sword, but also fiscal blackmail.

The ultimate goal of the self-appraisal is none other than a forced reassessment of all real estate listed with the Property Registry, increasing the value of it to account for inflation, improvements, location, investment, etc. The sole purpose of this move is to collect more funds to cover the multi-million-quetzal budget of the nation.

Jorge Carpio Nicolle states that self-appraisal amounts to fiscal blackmail, and is a two-edged sword in that it subtly and vaguely invites the public, through the mass media, to reassess their property by making affidavits. The idea is to bolster confidence, but the risks it entails are not explained. Later the government may reassess the property on its own whim, and this would constitute the serious crime of injustice, which is punishable by jail. In addition, the government would charge the owners of the property for the expenses of its assessment.

Most disturbing, says Carpio Nicolle, is the lack of clarity in the interpretation of the self-appraisal law, because there are no regulations to provide a legal framework for the reassessment of property. There is no legal or technical basis for this, nor any criteria or standards to follow. As a result, there is tremendous confusion, particularly among the peasants. There is no solid, clear, precise basis for undertaking a correct, proper, and fair reassessment of real estate holdings.

Moreover, Jorge Carpio Nicolle points out that Decree 59-87 of the new Income Tax Law clearly states: "The Income Tax is annual and is levied on increases in net assets." What this means is that increases in the value of

real estate resulting from the reassessment of such property are regarded as earnings, which increases taxable income and therefore tax liability.

This means that not only is the government trying to charge more in property taxes, but also in income taxes. This is a double taxation that affects all citizens, especially the neediest classes of the nation.

08926

**Peasants Oppose Property Appraisal Law**  
*32480041c Guatemala City EL GRAFICO in Spanish*  
*4 Dec 87 p 3*

[Text] Peasants of the municipality of Santiago Chimaltenango, Huehuetenango, would rather die than pay the new property tax or conduct the self-appraisal, they state in a letter addressed to President Vinicio Cerezo Arevalo.

The peasants of this region state in the document that all of them are victims of abject poverty, with barely enough housing and tiny plots of arid, rocky soil which they have managed to obtain with a great deal of sacrifice, including eating only twice a day and depriving their children of an education just so they could have something to call their own.

The peasants also say in the letter, "If this is how we are repaid for the votes we gave to the party in power, by taxing us, then we don't want to have anything more to do with the Christian Democrats. You say you are working to benefit the poor, but that is not so, because you are trying to take from us, who have nothing, to fill your own pockets."

"With all the taxes that are supposed to be paid, at the same time the prices of all the goods we need for our households will also rise, which will affect the poor instead of businessmen and government officials."

Finally, in the letter to the Guatemalan leader which contains more than a hundred signatures, the peasants express their categorical rejection of the new property tax.

08926

**Open Letter to President on Appraisal Law**  
*32480041d Guatemala City EL GRAFICO in Spanish*  
*4 Dec 87 p 3*

[Text] An open letter to President Vinicio Cerezo Arevalo was sent yesterday by the 12,000 residents of the municipality of San Sebastian Coatan, Huehuetenango, expressing their unwillingness to pay the tax on real and personal property.

"We are appealing to the president to examine his conscience and to remember that we peasants are always the ones to lose under any government, because as Indians, we have neither voice nor vote," they state.

Peasants Felipe Diego, Sebastian Pascual, Miguel Martin Gonzalez, and Mateo Juan visited our offices to publicize the open letter they had sent to the president of the nation.

They indicated that some peasants do own some small plots, but not all are cultivated at the same time, since the soil is so poor that they must plant in one place one year and in another the next.

They also stated that the corn, beans, and wheat provide them with food during the year, so they never sell these products at any market.

08926

**Government Discusses Fuel-Supply Situation  
With TUC**

32980093a Georgetown GUYANA CHRONICLE  
in English 10 Nov 87 pp 1, 4

[Text] Representatives of the Trades Union Congress (TUC) and of the Government, represented by the Guyana Natural Resources Agency (GNRA) and the Guyana National Energy Authority (GNEA) met yesterday at the headquarters of the Guyana Natural Resources Agency to discuss the fuel situation.

In a frank and wide-ranging discussion, the representatives of the Government ascribed the causes of the present situation to the inability of the Government to facilitate unlimited increases in the importation of petroleum products because of the shortage of foreign exchange, the uncontrolled behaviour of the buying public, and the sometimes callous approach of the sellers of petroleum products.

In recognition of these problems and the great inconvenience being experienced by the public, the Government had already decided to increase the supply of petroleum products (especially gasoline, kerosene and to a lesser extent, Bunker C fuel) to meet the anticipated increased needs of GEC and (Guymine) by \$1.1m (US) for the period October to December of this year, of which about \$700,000 (US) has been allocated to December alone. Also, the Government was considering increasing significantly the available outlets for the sale of kerosene.

The representatives of the TUC adverted to the dramatic increase in transportation vehicles, especially mini-buses and speedboats, as another cause of the deteriorating situation and noted that hardships are being felt mainly by the ordinary citizens who use gasoline and kerosene since Bunker C fuel and dieselene appear to be in adequate supply. They expressed regret and concern that the TUC as the workers' representative had not been taken into the confidence of the Government before this crisis when it could have prepared the citizens.

While noting that fuel supplies could be increased even more, the TUC welcomed the steps already taken and urged favourable consideration of the idea of increasing the retail outlets for kerosene. It requested that special attention be paid to the supply of cooking gas, which appeared to have been ignored.

It also pressed for strong action against those retail dealers who attempt to hold the buying public to ransom by way of black market pricing and related practices.

It also identified areas which it felt would benefit from an increase in the number of outlets for the sale of petroleum products.

The two sides agreed to keep the situation under constant review and to meet regularly until the situation was returned to normal to discuss problems and alternative approaches, a release from GNRA added.

12223

## Crime Remains in Spotlight; Manley, Seaga Eye Meeting

### Report on Manley Proposal

32980094 Kingston THE DAILY GLEANER in English  
23 Oct 87 p 1

[Text] The president of the People's National Party, Mr Michael Manley, has again proposed to Prime Minister Seaga that they meet as soon as possible to discuss the problem of crime and violence in the country.

Mr Manley said yesterday the meeting should discuss the ways in which they could collaborate "in the struggle to control and defeat this monster that threatens the sense of security and the lives of decent citizens of our country."

Mr Manley's proposal was made in a letter which he sent to Mr Seaga at Jamaica House. he said that events which were taking place have strengthened his conviction that the best interests of Jamaica would be served by achieving the greatest degree of solidarity and active co-operation between the major political parties and other patriotic institutions in the country.

Mr Manley referred to a previous letter which he had sent to Mr Seaga on November 6, 1986, outlining the PNP's grave concern about the escalation of crime, and suggesting the establishment of a permanent Advisory Commission for National Security.

He had also suggested then they both meet, along with appropriate advisors, to hammer out a mutually satisfactory proposal in the national interest.

"In the reply which was received at that time, the Government did not agree with the specific suggestions which I had put forward. And, while there have been a series of meetings involving a small group of leadership from both sides, nothing conclusive has so far emerged," Mr Manley said, in his latest letter.

The PNP President ended his letter by expressing the hope that he would hear from the Prime Minister at his earliest convenience concerning the meeting he has proposed.

### Text of Seaga Reply

32980094 Kingston THE DAILY GLEANER in English  
29 Oct 87 p 6

[Text] Following is the text of the letter sent by the Prime Minister, the Hon. Edward Seaga to the leader of the People's National Party, Mr Michael Manley in response to a letter sent by the PNP leader inviting the P.M. to a meeting to discuss matters concerning crime. The letter is dated October 27.

I have your letter of October 21, requesting a meeting with me to deal with matters concerning the incidence of crime. i am always willing to extend to you the courtesy of meeting on any subject of national importance.

The agenda for discussion should include a more analytical approach to the question of crime. You will no doubt recall my recently expressed views that it is wrong to perceive "politics" as the centre-piece of crime, a view which I hope you will join with me in emphasising, as wrong analysis leads to wrong conclusions, and wrong conclusions make it impossible to find right solutions.

The Security Forces do not consider that there are political linkages in the most widely prevailing form of criminal activity, praedial larceny, which afflicts the entire farming community. Crimes against women are similarly excluded. With a few exceptions of note, the trafficking of dangerous drugs, marijuana and cocaine, are not interwoven into the political system: they are peripheral.

There is, on the other hand, a linkage of political violence to the political parties, and in this area we can continue to collaborate on ways and means of stemming political violence as we did in fact succeed in doing right up to the eve of the Local Government Elections of last year.

As the Commission of Enquiry headed by Sir Herbert Duffus which investigated these Local Government Elections reported, there was a serious outbreak of political violence on Election Day. We could usefully discuss this area.

### Rewarding

It is noteworthy that the incidence of violence between opposing political factions has been reduced very considerably over the past few years to a level of occasional outbreak and this I consider to be one of the rewarding developments of recent years.

The climate for fraternal relations among the two major political parties, the Jamaica Labour Party and the People's National Party, is better today than it has been in more than 15 years. This is due to the deliberate policy of my Party in Government in de-emphasising the involvement of "politics" had come to be the focus.

It is due, too, to the general restraint of your Party in its role of Opposition. In this atmosphere, I suggest that we explore ways of extending this greater feeling of fraternity to other areas of life, such as sports and other forms of fraternal activities which will generate goodwill. We must also pursue continued discussions on the Code of Conduct for political candidates and representatives which has been under discussion for some time.



### Committee Meet

I am sure you will agree that it is wrong for the community at large to believe that the leadership of the two major political parties have magic wands which can eliminate crime if only we meet and agree to exercise this magic. It is nonetheless important for us to present a united front against all forms of crime so that criminals may know that there is no safe harbour anywhere in the political system

I expect that our meeting will especially reinforce the efforts which are now successfully dealing with the trafficking of dangerous drugs and reinforce the work of the Security Forces in eliminating this danger of our people, our productive endeavours and our nation.

To this end, you will recall the specific 12 point action programme to fight crime which I recently outlined to a meeting of the leadership of concerned interest groups. This week the Minister of National Security, the Hon. Errol Anderson, will report to the nation progress on this action plan.

I propose that the Committee which has been meeting regularly on inter-party affairs holds preliminary discussions to set the agenda on a purposeful basis for later discussions which we will then lead in this way much more than a demonstration of the growing goodwill and fraternity among the parties, important as these may be will be achieved.

### Court Official's Murder

32980094 Bridgetown CANA in English  
2021 GMT 16 Nov 87

[Text] Kingston, Nov 16—Judges and Lawyers here Monday praised the integrity and work of murdered Supreme Court Registrar Derrick Hugh and said they would not be scared off by the assassination.

The judiciary will not be frightened, declared Appeal Court President Ira Rowe at a special sitting of the Supreme Court to pay tribute to Hugh, who was shot dead early Saturday.

Two gunmen broke into the Hugh family home in eastern Kingston while they were asleep and took the 47-year-old court registrar and former magistrate from his bed before killing him. One of the killers reached inside through the shingled roof of the house in a one-time fashionable area of the Jamaican capital.

The STAR newspaper Monday said one of the gunmen told Hugh they had bene paid to kill him.

At the special court sitting, Chief Justice Edward Zacca called Hugh's killing as cruel— and planned assassination. He praised the later registrar's high integrity and dedication to service.

It was the first time that a member of the bench has been killed by gunmen here and it has brought a wave of anger and condemnation from officialdom.

Police have declined to say whether they have leads on the killing, but National Security Minister Errol Anderson promised to spare no efforts to bring the murderers to justice.

Justice Minister Oswald Harding repeated in court Monday his earlier statement that Hugh's killing was willful and brutal and the governments intent to fight crime and violence.

Opposition Peoples National Party said the murder of Hugh, spoken of as a man of professional integrity, must bring to everyone's attention the need to address the problem of crime and violence in our society.

We cannot afford to seek to use this problem to score political or sectoral points, Manley said. It is the most serious problem affecting our growth as a united nation. Indeed, it has far-reaching implications as to the shape of the society we wish to create, he added.

Manley and Prime Minister Edward Seaga have planned a summit to discuss crime and violence and ways to tackle the problem.

### Security Minister's Remarks

Port-of-Spain TRINIDAD GUARDIAN in English  
23 Nov 87 p 16

[Text] Kingston, Cana—With 391 Murders recorded in Jamaica between January and mid-November, Security Minister Errol Anderson has described the killings here as intolerable.

Anderson, addressing the police, said the murders were 30 fewer than for the January to October period last year, and praised the efforts of the law enforcers to contain the crime wave.

"Without reservation you must be congratulated for your efforts in controlling crime and for helping to preserve a stable and secure environment which is vital to the development of our society," Anderson said.

Jamaica, since mid-year has been riding a wave of crime, with a series of gun-murders, the latest victim being the acting registrar of the supreme court, Derek Hugh, who was gunned down at his Kingston home last Saturday morning.

### Honest Citizens

A number of organisations have stepped forward to help the police contain the menace, the latest being the Private Sector Organisation of Jamaica (PSOJ), which is running a media campaign aimed at getting citizens to co-operate with the police.

The campaign takes the form of advertisements in the only daily newspaper, the Gleaner, radio and on television, with messages such as "the police can't do it alone, they need your help."

"We are urging honest citizens to join forces with the police as it were—literally go into partnership with them—and together take the bite out of crime," said Michael Hirst, chairman of the PSOJ National Security Committee when the media campaign was launched last month.

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### Las Manos Encounters Described

32480028a Bogota EL TIEMPO in Spanish  
2 Nov 87 pp 76-82

[Article by Luis Rivas]

[Excerpt] Since the Esquipulas peace accords were signed, the border checkpoint at Las Manos, between Honduras and Nicaragua, has become a meeting place for the families split up by the war. The prospects for peace make possible these encounters, until very recently inconceivable, and bring relief to a population overwhelmed by the war. The only thing they have left intact in Nicaragua is the utopian hope that motivates the citizens.

Since 12 September, thousands of Nicaraguans have flocked to Las Manos from all over the country, in the hopes of embracing the members of their families who years before had taken refuge in the neighboring country, either to seek a better economic future or to join the ranks of the counterrevolutionaries operating out of southern Honduras.

Throughout the week, radio stations in northern Nicaragua have been broadcasting messages from people summoning their relatives across the border to meet them in Las Manos. Long before dawn, endless caravans of vehicles of all types, packed with people of all ages, begin moving toward the border. Just after leaving Ocotal, the last town before Las Manos, all the vehicles are ordered by troops of the General Directorate of State Security (DGSE) and the Nicaraguan Army to pull over to the side of the narrow highway. The pilgrimage to hope must continue on foot for more than 2 kilometers. While the first to arrive at the border station line up to wait for the barricades to be opened, great crowds from towns farther away continue to arrive under the hot sun, loaded down with sacks of food they hope to share with their relatives.

Most of these people are from the poorest sectors, "pure proletariat," according to local observers. Their healthy pride has prompted them to put on their Sunday best to show their relatives from the other side that, despite the economic hardships in Nicaragua, they have maintained their dignity.

At 0900 hours on the dot, the barricades are lifted, and the people begin crossing the dividing line. The tears flow and voices are raised, inspired by the hope of the encounter: "At last, after 4 years, I'm going to see my son!"

There is such an avalanche of people that casual meetings are difficult, and therefore more emotional. Hugs, shouts, and tears punctuate the atmosphere at the border stations. Those who have not been fortunate enough to find their loved ones go to the Red Cross and Peace Commission offices, where family rendezvous are announced over loudspeakers: "Pedro Gomez, your mother is waiting for you under the loudspeakers."

Radio stations set up by the two countries aid in the celebration of the reunions. Radio Paz de Nicaragua also reports on the details of the Amnesty Law offered by the government in Managua. A Honduran radio station states: "Honduras has a climate of peace, security, and tranquility for the families that are meeting. Look for your relative. Christ is the one who wants unity for the people of God."

Army officers from both countries stress the value of these encounters, the product, they say, of Managua's and Tegucigalpa's desire to reunite Nicaraguan families. And the reunions in Las Manos are indeed a surprising event if we bear in mind how relations between Nicaragua and Honduras have developed since the Sandinist Front's victory over the deposed dictatorial regime of Somoza.

Las Manos is not just the site of family reunions. The Peace Commissions, charged with informing "those who have taken up arms" (the Contras) about the possibilities for amnesty, are also set up here. The commissions are contributing to the "laying down of weapons," making direct contacts with small groups of counterrevolutionaries or isolated Contra elements. They are also trying to facilitate the return of non-political refugees in cooperation with the Red Cross.

Sometimes it is difficult to tell the difference between the two. TIEMPO witnessed a small group of young men who expressed their desire to return to Nicaragua. When they filled out the petition forms, they always answered "no" to the question about whether they had belonged to any organization during their absence. One young man, who said he had been in exile nearly 9 years, simply answered that he "wanted to live again in his own country." When asked if he had to serve in the military, he did not know what to respond.

Las Manos is also a place to engage in propaganda. Members of the Sandinist Front dialogue with young Nicaraguans who have fled—some of them to join the Contras—to try to explain to them the terms of the amnesty and repatriation: "Come back to your country. It is a free country; don't be afraid. We are poor, like all the refugees in Honduras, but together we can rebuild our country. Don't pay any attention to the Contras; don't be deceived by their disinformation."

Every 10 meters a knot of people is discussing the matter. Nicaraguan exiles, members of the so-called Nicaraguan Resistance and the Democratic Front of Nicaragua, the political arm of the Contras, distribute pamphlets and argue with the Sandinists: "Don't pay any attention to them. Our country is now being run by the Cubans and the Russians. Don't go back to Nicaragua; you will starve to death, and you will be the victim of reprisals."

There is no lack of tension in the reunions at Las Manos. In the presence of TIEMPO's reporters, on at least three occasions the crowd was gripped by panic. One individual was arrested by groups of the Sandinist DGSE as he tried to smuggle explosives into Nicaragua, hidden in a sack of lard. Later, a Nicaraguan citizen was beaten by Honduran Army troops. After that, a member of Honduran intelligence, in a state of intoxication, was arrested for pointing a .357 Magnum at the crowd. The fear returned when the Honduran guards loaded their weapons. In an instant, the thousands of people present threw themselves to the ground or dodged to one side. Fortunately, the fright went no further.

This fear also seems to grip many Nicaraguans who live near the Costa Rican border, where every Sunday there is an encounter similar to the one witnessed by the TIEMPO reporters in Las Manos. On the 18th of this month, some 700 Nicaraguans went into neighboring

Costa Rica through the Penas Blancas border checkpoint. Most of them were whole families, although they were predominantly women and teenagers around 15 years of age. The Sandinist soldiers did not try to stop them. Authorities of the UN High Commissioner for Refugees (UNHCR), who took charge of the situation, were told that the reason for the flight was persecution of draft-age youths and the lack of resources and employment in their country.

The opening of the Las Manos border station is just a ray of hope in the war being waged by the Sandinist regime and the counterrevolutionary forces financed by the U.S. Government. In this war, the Nicaraguans are now suffering not only from the direct consequences of combat, but also the impact on the economic situation, which many inside Nicaragua describe as very serious.

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**Muslim Leader Cites Ties to Kuwait, Saudi Arabia**

44040045 Kuwait AL-MUJTAMA' in Arabic  
11 Nov 87 pp 26-27

[Interview With Anwar Lal Muhammad; in Kuwait, date not specified]

[Excerpts] From time to time, Islam, may God Almighty ensure its victory and protection, continues to announce its presence in remote, unknown parts of the world. Our readers might be surprised to hear of a South American country where one-third of the population is Muslim.

Anwar Lal Muhammad, who visited Kuwait a few days ago at the invitation of the Awqaf Ministry, is a prominent Muslim personage in Suriname, where he now holds a responsible state position with the council of ministers of that republic. AL-MUJTAMA' met with him and conducted the following interview.

[Question] This valuable information [about Suriname's history, Indian immigration, independence from the Dutch, and recent political history, discussed in a previous question] brings us to the circumstances of Muslims in that country. Could you give us a clear picture of these conditions?

[Answer] There are more than 100,000 Muslims there, and thus they make up one-third of the population, with the Christians accounting for another third and the Hindus the other third. There are also some minorities, such as Jews and other religious groups.

Thank God, I can say that the Muslims there are well-organized, and the Islamic organizations and societies are all united in the "Suriname Muslim Council."

Through the efforts of Muslims in Suriname, and with the help of their brothers in the Islamic world, more than 200 mosques have been built, as well as six public schools open to Muslims and non-Muslims alike, where the sciences are taught. There are also two orphanages for Muslim children. I would like to point out here that just about every mosque in Suriname has a private school to teach children the principles of Islam and the Arabic and Urdu languages.

The schools and the Islamic organizations receive significant government funding, since the Muslims are one of the principal groups in Suriname.

However, we are still in great need of all sorts of support and aid from our Muslim brothers overseas, in particular several schools of Islamic studies for young people. We need constant material support to operate schools and other organizations and to maintain mosques.

The significance of the growth of Islamic missionary work in Suriname can be understood from the fact that at present we are making efforts among Muslim African

families which converted to Christianity because of their need for education and health care. When we talk to these families, we urge them to reconsider the circumstances which led them to adopt this religion, which the Dutch brought to the country, and we remind them of the true religion which their forefathers had followed when they were brought to South America as slaves. The decision is now theirs to choose the religion which their hearts embrace, not the religion which colonialism imposed on them.

In view of the vast control the Christians have over the information media, and the effect which this has on weak Muslim families or families in which the mother is not Muslim, I appeal to our Muslim brothers to help finance missionary activities in Suriname, particularly among the younger generation.

In this context, our plans include setting up a radio station, and if possible a television station in the future, since these would be extremely strong information tools. We now broadcast limited hours over the official radio and television stations, but they are not enough. It is important and necessary to get our own radio station.

Paise God, the Kuwaiti Awqaf Ministry has promised to support this project, and has requested the preparation of a financial program for establishing this station.

Other projects which need immediate financing include construction of a new orphanage, a maternity and gynecological hospital, and an Islamic center for Islamic Call and guidance activities.

[Question] Do you have any links and ties with Islamic organizations in the Islamic world?

[Answer] Actually, I am in Kuwait now at the invitation of the Awqaf Ministry, whose officials are concerned about the conditions of Muslims and Islamic missionary activity in Suriname. This is one example of our links and relations with the Islamic world.

We have excellent ties with the Islamic World League in Jiddah, which deserves to be thanked for the valuable assistance it has provided for Muslim endeavors in Suriname by having sent several lecturers and missionaries there. An Islamic conference will soon be held in Paramaribo, God willing, to which we hope to invite several specialists in Islamic thought and the Islamic Call.

As for sending students overseas to study Islamic sciences and the Shari'ah, several students are studying at the fatwa school in Riyadh, and others are studying in Pakistan and Indonesia.

In Suriname we have a federation of Muslim students which has excellent, firm contacts with the World Federation of Islamic Organizations here in Kuwait.

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**SURINAME**

AL-MUJTAMA' closed the interview by saying, "We thank Mr Anwar Lal Muhammad for this fruitful interview and valuable information. We hope that his efforts to serve Islam in Suriname will be successful, and that he will have a pleasant stay with his brothers in Kuwait."

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## Ruling Party's Internal, Political Life Discussed

### Tewarie Remarks

32980096a *Port-of-Spain DAILY EXPRESS*  
in English 9 Nov 87 p 2

[Text] The National Alliance for Reconstruction (NAR) Government must move swiftly to arrest the public perception that it was aligned to big business at the expense of the poor and dispossessed in the society.

This was stated by NAR General Secretary Dr Beau Tewarie when he addressed a seminar organised by the San Fernando East and West constituencies of the ruling party on Thursday night. The seminar was chaired by Merle Stephen.

Dr Tewarie said: "Without any real evidence, there is a perception that our political party is somehow more aligned to certain sections of the economy than with those with whom we should be aligned. That is to say, it is often said that the NAR is more interested in big business than it is interested in the plight of the poor and the ordinary person."

Said he: "I want to say, as a political party and that as individuals and members of the political party, we have to ensure that we arrest that image initially, ensure we liquidate that image and ensure that we do what ever is necessary in this party to ensure that the Government act in such a fashion that it would seem fair to all and that it is interested in justice and fairplay and that it is not aligned with any sector of the society."

Said he: "And we need to make it clear by our participation within the political party and within the institutions and forum of the party, that our primary commitment must be to the poor and the down-trodden and the dispossessed in the country. We must do that clearly and unequivocally and ask for Government policy that would make those signals very clear to the country at large if we are to save this party and if we are to grow and strengthen ourselves for future action."

He said there was also a perception that the NAR did not have the support of the East-West corridor. He said the membership needs to understand the significance of that perception. he said the party must take steps immediately to deal with this matter. Said he: "If we are a national party, we must ensure that we represent every section, region and community. We must ensure that we build bridges to welcome all those who wish to come into our fold."

He pointed out that the base of the NAR initially had been in the southern and central parts of the country. He said the party won the election with support from the south and central as well as the East-West corridor.

Said he: "We must continue to make this party, a party in which all will feel that they have a significant and meaningful role to play. The party must so organise itself that the signals it sends to the society should suggest that there is a pivotal role for the East-West corridor just as it is for the rest of the country." He said this did not mean a sell-out to the PNM or riders, but an attempt at building bridges.

### Panday on Thrust for Change

32980096a *Port-of-Spain TRINIDAD GUARDIAN*  
in English 23 Nov 87 p 1

[Article by Mikey Mahabir: "Panday Sees Coming of New Group"]

[Text] San Fernando—External Affairs Minister Basdeo Panday has predicted the coming of "a new grouping of forces which will transcend the distinctions of race, colour and creed."

Panday, deputy political leader of the ruling National Alliance for Reconstruction (NAR) and MP for Couva North, was speaking Saturday evening at the 35th anniversary celebrations of the Sugar Industry Labour Welfare Committee at Sevilla Club, Brechin Castle.

After one year of the new Government in office the line between those who want meaningful changes and those who only wanted exchange is becoming clearer and more distinct, Panday stated.

He said the most troublesome problem in Trinidad and Tobago today is the conflict between those who want changes and those who do not. "And that has nothing to do with PNM and NAR. It is much deeper and wider than that. In fact, the conflict crosses party lines."

That being the case, he believed that the future is "easily predictable," adding that he foresaw a "new grouping to transcend the distinctions of race, colour and creed."

Asked in a later interview to explain what he meant by a new grouping of forces, Panday would say only that "those who want change will be on one side, and those who do not want change will be on the other side."

### Drawn-Out Struggle

In an apparent reference to the development of the new grouping, Panday told the meeting:

"It will be a long, drawn-out struggle, but in the end the forces for change will succeed. History has always been on their side.

"If we do not want the tide of history to pass us by, we must begin the process now.

"The first step is to dedicate ourselves to the fearless search for truth. The darkness of deceit cannot stand the searing light of truth. We must begin immediately to discuss openly those touchy national issues."

He said some of those issues are:

- The issue of discrimination of all kinds, whether it be based on race, class, colour, creed, sex or region.
- The nature of the power structure in the society, whether it be social, political or economic.
- The distribution of power in the state and the society. "Are we satisfied? If not, what do we do about it?"
- The question of distribution of state resources.

The question of whether corruption continues today as it was under the PNM.

Panday referred to the NAR victory in the December 1986 general election and asked: "Are we now satisfied with things as they are? If not, what do we want? What kind of society do we wish to live in? What are our goals? And then, how are we going to get these? What do we have to do to fulfil our dreams? Do we have the courage to do what is necessary to get to the top of the mountain? Do we have what it takes?"

"We speak of open Government, yet we insist that troublesome issues must be discussed only behind closed doors. Any attempt at open discussions is labelled as boat-rocking and a devious strategy of destabilisation."

### Call for Collectivism

32980096a Port-of-Spain TRINIDAD GUARDIAN  
in English 23 Nov 87 p 7

[Text] Open Government cannot mean unrestrained individualism, says the editorial of the ruling National Alliance for Reconstruction's party newsletter, Reconstruction, in its October issue, circulated last weekend.

Commenting on recent public statements by Minister of Works, Settlement and Infrastructure, John Humphrey, and responses by his junior minister, Joseph Toney, the editorial stated that the situation again raises an issue which has haunted NAR since its inception.

### Political Party

It said a political party can have no future unless its members—and moreso its leaders—share a common vision and Government must therefore work within a common agenda to realise that vision.

"If Cabinet members act as if the Cabinet is a forum," the editorial noted, "where no consensus can be arrived at, or they are not bound by Cabinet decision, then the whole idea of Government stands to be undermined."

### Public Domain

"Collective responsibility assumes that your view will not necessarily prevail and restraint may often be required even in the context of open Government—open Government cannot mean unrestrained individualism."

The editorial stressed that the community does not expect Government ministers to exchange views in the public domain.

"Perhaps as a new party in government we are overreacting a bit to overcentralisation and the authoritarian discipline of the PNM," the editorial stated.

"No thinking person wants a repeat of that discipline. Maybe the time has come for us to take stock of things, and perhaps we all need to voluntarily check ourselves in the interest of the greater good."

### Humphrey on NAR Manifesto

32980096a Port-of-Spain TRINIDAD GUARDIAN  
in English 26 Nov 87 p 1

[Article by Gail Alexander: "Humphrey: NAR Is Not Honouring 'One Love' Vow"]

[Text] Works Minister John Humphrey has declared that the 'One Love' expression preached by the ruling National Alliance for Reconstruction (NAR) is "at this very moment" not being honoured by the party.

And speaking at a National Housing Authority (NHA) function yesterday, the outspoken minister sounded another warning: "I will not be martyred, and I am warning anyone seeking to make a martyr out of me—watch out! I want to make that clear, publicly: I know who is to take this seriously and I am declaring war against them!"

### Biting Address

Humphrey had this to say as he called on the nation to examine the NAR's manifesto as a contract between the people and Government. He delivered a brief, biting address at the opening of NHA's roving low-cost housing exhibition of Roundabout Plaza, Barataria.

Armed with a copy of the NAR manifesto in place of his usual speech, he told the gathering:

"When I read a speech, I get into trouble, and when I don't read from a speech I get in trouble—so I will read this to you and rest my case. You can take it from there."

### Telling the Truth

He then proceeded to read aloud parts of the ruling party's immediate Action Plan and Economic Recovery Plan pertaining to areas in his ministry's portfolio and issues which he has taken up.

Minister Humphrey claimed that there are "some" in the ruling party who are out to wrest power from those in the NAR who had been granted this. He said he knows who these people are, and added that he specifically, has been targeted by that group.

"I am a peaceful man," Humphrey added, "and I enjoy serving people, but I will not be martyred. People have been martyred in the past for telling the truth, but I will continue telling the truth. And I am warning those who seek to martyr me—watch out! I will mark that person or group as enemies and I will retaliate on behalf of the people of Trinidad and Tobago. I want to make it clear, publicly—I am declaring war!"

Yesterday, while Humphrey was warning that the 'One Love' concept was not being honoured, top level NAR members were formulating a resolution for discussion at the upcoming NAR National Council meeting on Sunday.

#### Critical Statements

Speculation about rifts in the ruling party has been rife since last weekend when its Parliamentary Arm called on the Prime Minister to deal severely with high ranking Government officials making critical statements outside, rather than within the party.

It heightened when statements from External Affairs Minister Basdeo Panday that same day, predicted a "new grouping of forces," but he later denied any split in the ruling party.

#### National Council

Party sources told the Guardian yesterday that the resolution being formulated, calls on Prime Minister Robinson to hold meaningful dialogue with all concerned parties, or "recalcitrant ministers, and get on with running the country which we need more than anything else right now."

"It is hoped that this will resolve the situation," they said. "It is foolhardy for the National Council to become embroiled in this fracas and let it go further. We hope good sense will prevail on Sunday. Let it end there, positively.

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#### Ruling NAR Rent by Dissent Over Humphrey's Fate

##### Split in Hierarchy

32980114 Port-of-Spain DAILY EXPRESS  
in English 23 Nov 87 pp 1, 2

[Article by Harry Partap]

[Text] Serious cracks in the hierarchy of the ruling National Alliance for Reconstruction (NAR) surfaced over the weekend, with two senior government Ministers

publicly chastising the government and with Prime Minister A. N. R. Robinson getting the backing of the party's parliamentary arm to take whatever steps were necessary to hold the party together.

A press statement issued late yesterday evening by NAR general secretary Beau Tewarie stated that the NAR's Parliamentary arm "has called on political leader and Prime Minister A. N. R. Robinson to use his full powers under the constitution and the law to achieve discipline, cohesion and teamwork at the level of the Cabinet."

Charging that "discrimination, injustice and inequality" existed as much under the new government as it did under the old government, External Affairs Minister Basdeo Panday suggested "a new regrouping of forces" at a public ceremony on Saturday night. He also was critical of the leadership of the NAR.

Works Minister John Humphrey, who has been repeatedly critical of the government in public, also joined in this at a Sugar Industry Labour Welfare Committee (SILWC) awards ceremony at Caroni's Sevilla Club (see above story).

Earlier that day, at a NAR Parliamentary arm meeting, Panday read parts of his severely critical statement and then left. This was followed by a three-hour debate among the Parliamentarians, from which Prime Minister Robinson got the backing to "hold the party together."

Several NAR members in fact followed Panday to Sevilla Club and apparently tried to stop him from going public with his statement.

Panday, who spoke anyway, warned that the future would be "easily predictable" if the government continued on its present course, stating that there would be a new re-grouping of forces which would transcend the distinction of race, colour and creed if the line between those who want change and those who only wanted "exchange" was not bridged.

Panday spoke of "a deep-seated reluctance to discuss our problems openly and candidly" by the ruling party. He said: "We speak of open government, yet we insist that troublesome issues must be discussed only behind closed doors. Any attempt at open discussion is labelled as boat-rocking and a devious strategy at destabilization."

Panday added: "These are signs of hopeless immaturity. And it is an immaturity that stems from our history. For 30 years we have had one kind of leadership, one kind of politics. Both leaders and supporters today are victims of what I call the one-role model. We are so accustomed to the political monolith that we are either unable to afraid to think of another kind of political structure. You either rule like Eric Williams and the PNM or you do not rule at all.



"The most troublesome problem in Trinidad and Tobago today is conflict between those who want change and those who do not. And that has nothing to do with the PNM or the NAR. It is much deeper and wider than that. In fact the conflict crosses party lines."

He added that the people must develop a "fearless search for truth" and that the party must begin to discuss openly "those touchy national issues," including discrimination, the nature of the power structure in the society, the distribution of state resources, corruption, and the fact that leaders were saying one thing but doing the other.

After Panday left the Chaguanas Parliamentary arm meeting, a debate ensued on his statements. Several members, including Panday's brother, Alderman Subash Panday left that meeting and rushed up to Sevilla Club in an effort to dissuade Panday from delivering the statement.

At Sevilla Club, Subash Panday, attorney Lennox Sandersingh and Victoria County Councillor Sonnylah Pee-wah Mahabir did not succeed in getting Panday to leave the SILWC rostrum. Subash Panday then held private discussions with his brother, but left dejectedly. Five minutes later Panday delivered his address.

Referring to the history of the SILWC, Panday said: "The history of discrimination, injustice and inequality, as was expected, existed under the PNM regime for 30 years. What is expected and even more frightening, is that this theme continues unabated despite the demise of the PNM and the advent of the NAR."

Yesterday's press release from the NAR said following Panday's statement at the Parliamentary arm meeting on Saturday, the "agenda was virtually suspended thereafter as members indicated their concern about statements recently reported in the press and attributed to senior government ministers and other high-ranking government officials.

"The Parliamentary arm was unanimous in its view that such behaviour could not be condoned and should not be allowed to continue."

The press statement added: "Members felt that such behaviour was not in the best interest of the party, helped to undermine the work of government, and created opportunities which could be exploited to create division in the society."

Several members, the release added, "expressed the view that the place for discussions and exchange of views was within the party and under no conditions should this occur on public occasions or in the news media."

Certain members "actually called for the removal of some ministers and for a reshuffle of the Cabinet. After three and a half hours of open and sometimes heated

deliberations, the meeting agreed that the Prime Minister should use his full powers under the constitution to deal with cabinet ministers who sought to undermine the government, so that the difficult task of national reconstruction could be addressed."

### **Fingerpointing at ULF**

32980114 Port-of-Spain DAILY EXPRESS  
in English 25 Nov 87 p 1

[Article by Andy Johnson and Camini Marajh]

[Text] While some Government Ministers yesterday denied there was a "split" in the ruling National Alliance for Reconstruction (NAR) party and Government, at least one Minister said the current row was the result of "former ULF (United Labour Front) elements in the party struggling to make their weight felt."

External Affairs Minister Basdeo Panday, former leader of the ULF and the man who triggered the latest row, told the EXPRESS yesterday: "I cannot understand why a simple call for national dialogue should provoke such a reaction."

But Food Production Minister Lincoln Myers yesterday identified "former ULF elements" in the NAR as the source of the rumblings going on within the corridors of power.

Myers added that since the party had held its own election earlier this year, "certain former ULF elements felt they had gained a certain ascendancy within the party and are struggling to make their weight felt in the Government."

Asked for his comment, Industry and Commerce Minister Ken Gordon said yesterday, "I feel disappointed of course and I think anybody who has the interest of the country at heart feels the same way."

Gordon added: "I am desirous of seeing an amicable end to this situation."

Asked if he was aware that he was the target of criticism by some of his Cabinet colleagues, Gordon said: "I am not aware of this. As far as I am concerned, I have a healthy relationship with all my Cabinet colleagues."

Myers said yesterday things in the Government and party were "not so difficult that any discussion about any issue cannot be discussed within the party structure."

But External Affairs Minister Basdeo Panday, who triggered the latest row in a statement strongly critical of the Government last Saturday night, told the EXPRESS yesterday: "I cannot understand why a simple call for national dialogue on the problems that intimately affect the society should provoke such a reaction. We have a one-role model in politics: 'You cometh when I call and no dogs barketh when I speak.' But I am not overly



worried about it because society does not change unless there is someone or a group who has the courage to challenge the drawbacks of society."

Also commenting on the situation yesterday, Planning and Reconstruction Minister Winston Dookeran told the EXPRESS: "I don't think it's any cause for alarm. It's a dynamic situation in which we are in. It's a new political system in which our country is in and it's part of the whole process of reconstruction."

Energy Minister Kelvin Ramnath said: "I don't know what is happening. As far as I am concerned, there isn't any split in the party. I think people would be very disappointed if there was a split. Panday's remarks, I think, have been misunderstood by people, some deliberately so. There are some people within the party who have not contributed to building the party but aspire to office in an opportunist way."

"In time the party must purge itself of those elements. The party has a certain constitution, certain disciplinary procedures. If people have violated the rules of the party, there are certain rules to be used to bring them to justice or discipline, as the case may be."

"The Prime Minister has enormous power under the Constitution to appoint ministers, to remove them from office. Those who are talking about the party have to give support to the Prime Minister to deal with ministers...in my view these people are seeking to destroy the NAR. The Prime Minister can take action unilaterally."

Winston Dookeran said the current row was the result of "the work of a certain group within the party that has an insatiable appetite for power. That group which felt it was out now feels it can discredit ministers to get into office."

Opposition Leader Patrick Manning and other leading spokesmen for the People's National Movement (PNM) told the EXPRESS last night they had "no comment" to make.

#### **Humphrey Vow To Fight**

32980114 Port-of-Spain DAILY EXPRESS  
in English 26 Nov 87 p 1

[Text] John Humphrey said yesterday he was "declaring war" on those persons within the ruling party who were out to get him.

"I am a peaceful man and I enjoy serving the people of this country, but this man is not going to be martyred. There are persons in the NAR (National Alliance for Reconstruction) who are prepared to destroy the Government in order to get to the positions that a few of us have been placed in because of the confidence of the people of this country," the fiery Works Minister said yesterday.

"They have targeted me and I am declaring war," he said, adding that "those persons know who they are and they had better take this message seriously."

He was at the time declaring open a roving exhibition of low-cost housing organised by the National Housing Authority and involving a number of organisations concerned with the provision of low-cost housing.

Humphrey earlier read sections of the NAR manifesto for the December 1986 general election, including statements on unemployment, the poverty cycle, economic recovery, the tax regime and the immediate action plan.

Stating that he was "going to get into trouble again," Humphrey said the manifesto had now been adopted as official Government policy and urged citizens to take it as a contract between the Government and the people.

He said that among the slogans the party used going into the election was the need for "one love." But, he said, that one love was not being honoured now.

#### **Response to Panday Remarks**

32980114 Port-of-Spain DAILY EXPRESS  
in English 26 Nov 87 p 1

[Article by Harry Partap]

[Excerpts] Prime Minister A. N. R. Robinson has been holding a series of round-robin conferences with members at all levels of his ruling National Alliance for Reconstruction (NAR) before deciding what action he will take in response to the mandate given him to discipline Cabinet Ministers by the party's Parliamentary arm last Saturday.

This is the latest spin-off of a statement made by External Affairs Minister Basdeo Panday at the 35th anniversary of the Sugar Industry Labour Welfare Committee in which he criticised the attitude of the new Government to open discussion on injustice and discrimination in the society.

While there were no reports of party constituency groups in the south taking solidarity action one way or the other, a group claiming to support the NAR has taken issue with Food Production Minister Lincoln Myers on his comments that "certain former ULF elements" were struggling to make their weight felt in the new Government.

The group said Myers's statement "was most disappointing," noting that the Minister's reaction could stir up old party loyalties. A spokesman for the group said the Minister should "try to understand what Panday was saying before putting his foot in his mouth."

The spokesman said Panday was "simply making a call for national dialogue on serious issues which cannot be swept under the carpet as had been done under the PNM."

#### Tapia House Statement

32980114 Port-of-Spain DAILY EXPRESS  
in English 28 Nov 87 p 3

[Text] The population, according to the Tapia House Group, can have no assurance that the Prime Minister's attempt to re-constitute his Cabinet will resolve the deep political antagonisms within the ruling party.

In a statement yesterday, the group said that Robinson's "desperate manoeuvre is almost certain to fail since the root causes of the current difficulties lie deeper than mere problems of personality. They are," Tapia insisted, "political in the broadest sense, touching on the very way in which the ruling party is constituted.

"What has now been confirmed," the statement said, "is the validity of the argument that exclusive concern with electoral success would not lead to the emergence of an effective government and might more likely militate against it."

Developments in the past week, and before, the statement said, "give rise to legitimate concern whether this government can deliver its grand promise of national reconstruction or even discharge the routine administration of the country's affairs."

The prospect before us, according to the group, "is one of chronic infighting in the ruling party, leading to paralysis of the government, increasing resort to protest action on the streets and a dangerous polarisation of social forces.

"Our greatest fear," it added, "must be that, in conditions of endemic disorder, the temptation will be for someone, or a clique, to attempt to impose order by means that lie outside the boundaries of accepted democratic practice.

The questions, then, Tapia said "are how to save our democracy, how to ensure competent government and how to effect the long-needed reconstruction of national life.

"The elements of the solution of our crisis," it went on to suggest, "must include a popularly-based exercise in Constitution Reform, a renewed effort in the forging of a genuinely democratic national party and fresh elections to put in place an effective administration."

#### Attorney General's Criticism

32980114 Port-of-Spain DAILY EXPRESS  
in English 29 Nov 87 p 3

[Text] Attorney-General Selwyn Richardson has blamed what he called indiscipline and a "very small minority of over-ambitious people" for the present political problems in the ruling National Alliance for Reconstruction (NAR).

Richardson made the point when he addressed a ceremony marking the completion of a self-help electrification project at Pooran Road, George Village, in Tableland yesterday. Richardson, referring to the "very small minority," said: "Their only concern is self. And we have to deal with that. The problems have been caused by one or two over-ambitious people, who try to use rhetoric to fool people and to let them think that they are thinking of the people of Trinidad and Tobago."

Richardson said he did not have to go on any platform to boast about helping "little people." Said he: "Anybody who has to do that, well something is radically wrong with him." Richardson said that some people were trying to raise the old racial bogey again. He said that race had been buried on December 15, 1986.

Said he: "Race is not a problem in Ortoire-Mayaro. Why must people sit in the corridors of power and try to raise race in Trinidad and Tobago? People try from the outside to try to inject race in this constituency. People here in Ortoire-Mayaro do not care about race. I am appealing to those misguided few. We have voted race out on December 15, 1986."

Richardson praised Prime Minister A. N. R. Robinson for the stand taken in dealing with the matter.

"When the Prime Minister realized what was happening," said Richardson, "he used his powers given to him in the Constitution and given to him by the people of Trinidad and Tobago to put an end to the nonsense once and for all."

Said Richardson: "But make no bones about that and, as I said, the people of Ortoire-Mayaro know that; we know who think about the people, as opposed to those who think about self.

"And I am not boasting about myself at all because you are seeing the result of work that is being done for the benefit of Trinidad and Tobago."

"The problems," Robinson added, "are being caused by sheer irresponsibility. Fortunately I am on the inside and I know. It is sheer irresponsibility by a few people but fortunately they are in the minority. The overwhelming minority."

Richardson, speaking as he said, from one who knew what took place inside, noted that "a lot of patience was exercised."

Said he: "I was in the corridors of power for five years before and I am in public life for between 16 and 20 yers. I have seen people come and people go. I myself have gone. My record is clear; resignations hold no terror whatsoever for me. Because whatever I do is because of the love of the people and for no other attractions whatsoever."

He said that nobody could ever point their finger at him and accuse him of corruption. "That is my record. Public office holds no financial gains for me."

#### Damage Assessment

32980114 *Port-of-Spain TRINIDAD GUARDIAN*  
in English 2 Dec 87 p 22

[Article by Gail Alexander]

[Text] Damage sustained by the ruling National Alliance for Reconstruction (NAR) in last week's political developments has gone too deep for repair and it would be very difficult for the party to win another election comfortably.

In a post-mortem of last week's dramatic developments within Government, top-level party sources expressed this view yesterday, adding that the NAR's credibility in the eyes of the public appears to have been severely weakened.

Reports are that the hierarchy has patched things up, but even if this pretext is maintained, members of the community are aware of the rift in the ruling party which has become more and more blatant recently—"things could never be the same as they were."

"In fact, with some publicly stating that the reshuffle would not prevent them from airing their views—you can bet this hasn't ended here."

#### Speaking Out

Commenting on the dismissal of former Works Minister John Humphrey, sources pointed out that although Humphrey was seen as the most outspoken person in Government, other Ministers had also been speaking out:

"Other Ministers had also been outspoken, Dr Albert Richards included and he had his portfolio increased. But consider the dismissal—only one man was dismissed. It doesn't achieve anything. Dismissing Humphrey wouldn't stop him from talking.

Yesterday, the Sugar Workers for Justice Organisation condemned Prime Minister A. N. R. Robinson's action in dismissing Humphrey from Cabinet, saying it was "a major political attack on the people of Trinidad and Tobago."

In a statement yesterday, the Couva-based body said:

"We view John Humphrey's dismissal from Cabinet as a clear indication of the intention of the Prime Minister and other sections of the ruling to stamp out any voice dealing with fundamental issues."

#### Good Sense

"SWJ maintains that the present crisis is extricably linked with the stepped-up vicious attacks being launched by the big business community against the labouring people."

But in his view, NAR general secretary Bhoe Tewarie said, last week's crisis could be construed as a learning process:

"If we look upon this as a second chance we might be able to strengthen our resolve and meet our commitment to our people."

"At Sunday's National Council meeting," he continued, "I was struck by the fact that party members seemed to be crying out to their leadership for unity."

#### Humphrey Speech

32980114 *Port-of-Spain DAILY EXPRESS*  
in English 2 Dec 87 pp 1, 3

[By Deborah John; for a CANA report on this speech by former Minister John Humphrey and reports on other aspects of the rift in the NAR over the Cabinet issue and Prime Minister Robinson's firing of Humphrey from his ministerial post, see pages 4-7 of the Latin American DAILY REPORT FBIS-LAT-87-235 of 8 December 1987]

[Text] In front of a noisy and approving crowd, former Minister of Works John Humphrey spoke on Monday evening about letters that he had written to the Prime Minister warning him about his "creeping dictatorship."

Humphrey was speaking about the events of last week—the call by Prime Minister A. N. R. Robinson for his Cabinet to resign, the reshuffling of Cabinet, and his eventually being fired as Minister of Works by the Prime Minister—at a meeting organised by members of the St Augustine Constituency, at the Constituency Office, Freedom Road, Tunapuna.

Humphrey said the Prime Minister had become "cold" when he urged him for dialogue on the "urgent need for monetary reform." This country has tremendous idle reserves, but these resources have not been mobilised by the Government, he said.

Humphrey added that in December 1986 when the NAR had come into power, there were 100,000 people unemployed. "One year later, we have 120,000 unemployed people," he said.

Humphrey said that with his prompting, a subcommittee to identify idle resources had been set up within the National Planning Commission.

"I wrote him (the Prime Minister) a letter. I asked him to bring the issue before the Cabinet for discussion. He did not reply. His only reply was to say that money is not my business, but it was his (the Prime Minister's)."

Appealing to the crowd, Humphrey asked: "It is not my business, but is it the business of the Prime Minister and the Minister of Finance, or the people of Trinidad and Tobago?" (shouts of "no, no, the people").

Humphrey said: "I was fired from the Cabinet because I agitated for the need for monetary reform, because I trod on the toes of the Prime Minister, the Minister of Finance" (more shouts from the crowd).

Warming to the theme, Humphrey added: "The Government has not delivered on its promises...he (the Prime Minister) put the country in pain and anguish...he offered them a Cabinet minus me...(shouts of "you is the best one")...that is a Machiavellian psychology...(from the crowd "word sah, word sah, what it mean?")...he felt that the people would be so relieved at getting a new government, that the people would not care about me..." (from the crowd "dat is the mistake").

Humphrey said that Robinson's behaviour reminded him of the late Dr Eric Williams. "I wrote him many times. He said that he will not see me. He even told me once that he did not need to read my letters."

Humphrey said that those words reminded him of when the late Maurice Bishop once wrote to Eric Williams. "Williams later boasted that he did not read the letter. We will never know what was in that letter, if it was a cry for help."

Appealing to the crowd again, Humphrey said, "This is backward behaviour, are we going to go backward?" (shouts of "no, no, no").

Charging that the Prime Minister was encouraging secret behaviour and secret societies, Humphrey said: "He held a series of private meetings to dismiss me. He made people swear not to tell me anything. But you know our people can't hold secrets from each other. The Prime Minister told these people that I was trying to award a

contract to a friend, that I was trying to bypass the Central Tenders Board. But I have records. I have the documents. If he wants he can send his Gestapo police to search my house, but they are not at home" (roars of approval).

Humphrey said the Prime Minister had criticised the now acting Prime Minister, Basdeo Panday, in secret meetings and in so doing had departed from the principle of collective responsibility. "He criticised myself and Panday in the worst possible way. In secret meetings he can talk and criticise in all branches of the party. The principle of Cabinet secrecy is sacred, but at those discussions he revealed the secrets of Cabinet." Later in the meeting, on the question of ministerial responsibility, Humphrey read from an official British government handbook on institutions, stating that on matters of national importance a minister "can" go out and talk to the people.

On the question of what constitutes proper political representation, Humphrey suggested "there can be no genuine national unity, unless the PNM and NJAC were involved. They must have some voice on their behalf."

Humphrey said he has asked his lawyers to lay charges of disciplinary action against the Prime Minister. "I have been put on trial without being given a chance to defend myself. He has not called me to a single meeting." Humphrey added that when he calls the Prime Minister before the party's disciplinary committee, he would have to say why he denied him (Humphrey) the basic principle of national justice, and why he denied the Cabinet the principle of collective responsibility.

"Let him say how I have breached decisions of the Cabinet...how I have strayed from the manifesto. If the political leader is found guilty and I am innocent, I will demand on behalf of the members of the NAR that he (the Prime Minister) resign," (shouts of yes, yes).

As the crowd shouted its approval, Humphrey reminded them of how the NAR had come into being, and that the Prime Minister had come into the party on the invitation of Karl Hudson-Phillips, one of the deputy political leaders of the party, and Basdeo Panday, also a deputy political leader.

"The present Cabinet is not a true reflection of the support base of the NAR...the manifesto was never intended to give one individual dictatorial powers...there can be no room for the monolithic leader...the dictator."

He emphasised, however, that the "Prime Minister is still our leader but he has got to sort his thinking out. We are satisfied that Robinson is still the most suited of the Cabinet. It is not that I love Robinson less, I love the people more," Humphrey said.

### **Sudama Support for Humphrey**

32980114 Port-of-Spain DAILY EXPRESS  
in English 2 Dec 87 p 3

[Text] Minister of the Ministry of Finance, Trevor Sudama said Monday evening he had not spoken out about John Humphrey's dismissal as Minister of Works before, because he felt dialogue should first take place inside the party.

Sudama was speaking in support of Humphrey at a meeting at the St Augustine Constituency Office, Freeman Road, Tuanpuna. Also speaking in support of Humphrey were party organiser for St Augustine Ragoonath Chaboo; chairman of the St George East County Council Cornelius Price; Israel Khan, chairman of the St Augustine constituency; and Ishwar Muttoo chairman of the meeting. Speaker of the House of Representatives Nizam Mohammed was present, but did not speak.

Sudama's talk was accompanied by shouts of approval and applause from the crowd. He said he was "quietly elated" by the responses, and that it was a show of solidarity not only for Humphrey, but also for the "ethos" of the NAR. Sudama said he had told the Prime Minister there must be a reason why Humphrey and others had been speaking out. They were "little Caesars and...sawdust Caesars, who felt that the Prime Minister and a small clique, who sit there, want to rule the country...a clique not elected by the people."

Sudama spoke of elements in the civil service, who will not co-operate with government. He also spoke of permanent secretaries who "cuss off" ministers and nothing can be done about (shouts of fire dem, fire dem). Speaking about the 1988 budget, Sudama said the Prime Minister and a little clique were preparing the budget. "I am not a part of preparing that budget...and they want me to join with them to defend it..I am not defending anything that I don't know about," he said.

Sudama said the issue at present was who is the source of power. "We say it is the people (applause)." He said the battle had been waged within the party, now it had come before the public, because there was no alternative. Collective responsibility had to be exercised in the right way, he said. "We do not want to remove the Prime Minister from office. But when the will of the people is known to him, he must bend to the will of the people."

Sudama said the issue could not be hidden behind "constitutional niceties...and that they had to stand behind John Humphrey in his "hour of need and crisis". "We have to conduct this thing in an unemotional and rational manner.... I am not encouraging you to do anything rash.... We want deliberate and democratic action.

"If they fire me, I will join Humphrey on the backbenches of the NAR. But John must not resign his seat either (crowd: no, no), is the people of St Augustine who put

him there. If he resign we putting him back, but we ain't come to that yet," (more applause). Muttoo, who was chairman of the meeting, moved a motion on condemning the Prime Minister for firing Humphrey: "Be it resolved that the meeting condemns the action of the Prime Minister...that the St Augustine constituency reaffirms its faith in the ability of John Humphrey to reaffirm faith in the NAR as the only national party."

Khan also spoke on behalf of Humphrey

### **'Mafia-Group Takeover' Charge**

32980114 Port-of-Spain TRINIDAD GUARDIAN  
in English 3 Dec 87 p 16

[Article by Mikey Mahabir]

[Text] San Fernando—Public Utilities Minister Kelvin Ramnath, MP for Couva South, has charged that a "mafia" group is attempting to overtake the ruling National Alliance for Reconstruction (NAR) party.

Addressing his constituency meeting on Monday night at Rienzi Complex, Couva, he told the large gathering that there is no split in the NAR today. He said:

"There are those who for their own selfish reasons, whether it be the big conglomerate or whether it be certain individuals who want to see the PNM return to power, will do anything to ensure that this party is split right down the middle."

The former Energy Minister assured his constituents that since they voted overwhelmingly for a united party last December 15, he will ensure that the ruling party stands forever.

"But in standing together forever we will have to administer a purge and we will have to take the party in our own hands and ensure that those of us who built this great organisation will not have it ruined by a small parasitic group—a mafia that is attempting to takeover the NAR today," he told the audience numbering some 500.

Mr Ramnath said he wants to make it abundantly clear and he wants Trinidad and Tobago to know that 15,000 people in Couva South voted for him in the last election.

Said he: "No one in Trinidad and Tobago will make me a mouse or will prevent me from speaking when the time comes.

He referred to "certain talks recently" which led to the dismissal of the Cabinet, and a lot of statements made, with an attempt being made to give the impression that the reason why there is a crisis in the country today is because certain Ministers are attacking each other in public.

### Not Surprising

"I am still to get the evidence that members are attacking each other's character and what the attack is all about," he said.

"We have been told about collective responsibility—that members of the Cabinet must take responsibility. I am not aware of a single secret of Cabinet that has been made public in the country or neither am I aware that members of the Cabinet have refused to accept the collective decision of the Cabinet and have come out and spoken about it," he stated.

Said Mr Ramnath: "But you have a senior adviser in the Government who leads all kinds of team to Miami and who sits in high office and talks about foreign investments will do no good in Trinidad and Tobago, when we have been talking about attracting foreign investment in this country," he told the meeting.

He said that the same person talks about whether the Government will hold together.

Mr Ramnath said that same person criticised the team which went to speak to Amoco—an attack on people who were chosen by the Government of Trinidad and Tobago to negotiate on behalf of the Government and the people.

"Is it not surprising that not a word is said about that person?" he asked. "You had one person standing up in San Fernando and talking about racism at the Hilton Hotel, implicating all other colleagues. Did you hear anything in the Press about people attacking anybody?" he asked.

"The same person striking and saying 'if they don't get a house in Federation Park that they not travelling. They going to stay there'—not a word."

Mr Ramnath continued: "One member attacked the Government for betraying the DEWD workers—silence. The general secretary of the party at a conference of women in San Fernando East talked about the alienation of party workers and said that the Government must stop isolating and alienating party workers who won the elections and who are the best people to understand how to restructure the country because they are the ones who were involved in winning the elections.

"I agreed with him but did we hear anything about it? My brothers and sisters, when certain people speak in Trinidad and Tobago, a ton of bricks fall on them. Others can speak and nothing happens," he told his constituents.

### Real Issues

He told the members that he wanted them to understand clearly the real issues facing the country today.

"I have no doubt in my mind that the place not to speak is in the public. I have no doubt about that.

"We speak in the party but we must organise the party, and I am not talking about you and I, but from the Political Leadership downwards must ensure that the party is organised so that it becomes a forum for serious discussions," he stated.

"Why has not the party been a forum where delegates can deal with the issues of Cabinet responsibility, the issue of Ministers' powerlessness and problems affecting the Cabinet?" he asked.

He believed that "the party has been too busy in organising conspiracy one after the other against some of us. Every event in this party has been some kind of plan against Trevor Sudama, or John Humphrey or Basdeo Panday or myself, particularly former members of the United Labour Front," he said.

### Certain Rules

"Why hasn't the general secretary and the other officers of the party say that we must organise the national council as a place for us to discuss these issues. If you cannot discuss it in the party—if a member of the Cabinet because of an oath of secrecy and because of collective responsibility cannot reveal what takes place in Cabinet and he becomes frustrated—where will he talk, not among the people who voted for him for a place where he feels most comfortable?, contended Mr Ramnath. [sentence as published]

"That is why many members have found it necessary to go back to their constituencies and speak," he stated.

"We have agreed on certain ground rules that Ministers must not attack each other in public. I am for that. We have agreed on the principle of collective responsibility. I am in agreement with that. We agreed that the party must be the place where we must talk so tonight I am talking to the party," he told the meeting.

Mr Ramnath said further since he took office "there had been one obstacle after another placed in my way as Minister of Energy. There had been a campaign of lies, deception and conspiracy against me, including a very senior civil servant who parades as though he was the Prime Minister."

### Attack on Candidate Selection

32980114 *Port-of-Spain TRINIDAD GUARDIAN*  
in English 3 Dec 87 p 1

[Text] There was no known suitable criteria for the selection of candidates for the local government elections, according to a report of a special committee of the ruling National Alliance for Reconstruction (NAR).



Looking at the screening of nominees, the report said: "A sample of the party's records revealed that procedures laid down for the acceptance of nomination papers had not been strictly followed however; we were unable to gain access to a significant number.

"It is regrettable that this confidential committee did not get the full co-operation of the general secretary in obtaining all relevant documents e.g. criminal records and nomination papers."

#### **Bona Fide Membership**

The report found numerous errors in the screening procedures such as:

- Some nominees were not endorsed by any party branch.
- In some cases the proposer and seconder could not be verified as members of the party.
- Some nominees possessed no bona fide membership registration, e.g. no party card.
- Nominations were received after approved deadline but were nevertheless accepted for screening.
- Some constituency executives were allowed to interview candidates while others were denied this privilege.
- There were inappropriate choices of candidates e.g. Arouca North—where nine party branches nominated Raj Maharaj against two solicited by the parliamentary representative.

#### **General Secretary**

- There were examples of constituency executives protesting the candidates to the general secretary and chairman with no response from either e.g. Arouca North, Arima. "In fact there was high handed and vulgar posturing by the general secretary."
- There is evidence that one candidate had been screened before the dates set for screening.
- Bitter criticism was made of the decision to bring constituency executives and nominees to Albion Street to select candidates, which was felt to be insensitive to those from rural districts.
- Times allocated for the screening process caused unduly long waiting periods.
- The screening procedure adopted did not conform to the party's constitution or to the circulated procedure guide, which called for selection after meaningful consultation with constituency executives. "The constituency executives were present as observers only, their

status was reduced to that of useless bystanders. Furthermore there was evidence that the screening committee appointed by the national executive circumvented the very procedures laid down for its guideline."

#### **'Fiasco' of Local Elections**

32980114 *Port-of-Spain TRINIDAD GUARDIAN*  
in English 3 Dec 87 p 1

[Text] The entire public relations exercise of the ruling National Alliance for Reconstruction (NAR) in the recent local government elections was "a total fiasco." Supporters felt the timing of the election was poor, and contributed to loss of support.

These were just some of the many findings of the NAR committee appointed by the national council of the party to investigate all aspects of the local government elections. The report was submitted to the council last Sunday, and it will be further discussed by constituency chairmen tomorrow evening at the Chaguanas Senior Comprehensive School.

#### **Effective Campaigning**

Appointed on October 11, the committee was composed of Jaigobin Nanga (chairman), Dr Godfrey Raj-kumar (secretary), Noel Vieira, Emil de la Grenade, Oliver Houlder, Trevor Greaves and Faizul Khan.

It found, for a start, that most constituencies were critical of the announcement of the election date, which left little time for effective campaigning. Various unpopular government measures were given by party members as reasons for the loss of support.

#### **Totally Alienated**

"These measures included Government's suspension of public servants' cost of living allowances; the announcement of the payment of Caroni's backpay; the failure of Government to restructure the DEWD programme; rising prices; appointments of persons who were either unpopular, of questionable character, or both, to statutory boards and state enterprises; and the call to duty of former senior bureaucrats who had enjoyed positions of influence under the former regime.

"These bureaucrats were seen in the eyes of our party activists as key advisors to their newly elected government. This the activists perceived as no change. Furthermore the grassroots support of this party felt they were totally alienated and betrayed. A combination of these factors, it was felt, had conspired to erode the party's newly-won popularity," the report said. "The committee felt that the local poll should have come before the austerity measures to ensure popular support. It should have come just after the general elections, eliminating the need for constituency conferences to whip up support.



It recommended "a concerted effort to radically restructure DEWD so as to deny the PNM their traditional position of influence and patronage among this particular group."

Any person who is asked to serve on a statutory board or state enterprise should be thoroughly investigated before the announcement is made. This would avoid Government's "embarrassment of appointing persons of dubious credibility and tarnished reputation to statutory boards", the report added.

#### Group of Specialists

While the report did not accept the view that the announcement of the election date was low keyed, it advised that a fixed date should be set for both local and general elections, and that the Prime Minister must make any such announcements in Parliament.

Analysing the public relations fiasco, the report found that the replacement of one group of specialists by another has caused severe bitterness and could not be allowed to remain in abeyance.

"We therefore recommend that a full scale investigation be conducted into the financial and other irregularities surrounding this project and that a strenuous effort be made to heal the rift which has emerged between two senior members of the campaign committee," stated the committee's report.

#### Blast at 'Appetites for Power'

32980114 Port-of-Spain TRINIDAD GUARDIAN  
in English 4 Dec 87 p 16

[Text] A National Alliance for Reconstruction Councilor has challenged Basdeo Panday, Kelvin Ramnath, Trevor Sudama and Nizam Mohammed to respond to accusations that a few selfish persons are out to get "the spoils of governance" for distribution in their own constituencies alone—and if this is untrue, to state their real grouses.

Mr Panday is External Affairs and International Marketing Minister while Mr Ramnath is the new Public Utilities Minister. Mr Sudama is Junior Minister in the Finance and Economy Ministry and Mr Mohammed is the Speaker of the House of Representatives.

Robert Mayers (NAR Councilor, St George West County Council) in a statement yesterday said that so far, all that has been heard are lofty statements about truth, honesty and calls for dialogue, without reference to any specific issues.

#### Regrouping of Forces

"In the midst of economic and social disorder," he added, "we continue to witness the daily rantings and ravings of certain Government Ministers who have obviously acquired an increasing appetite for more power.

"We cannot escape the not-so-subtle innuendo of racism as a major casual factor. This is indeed unfortunate. The country rallied to the NAR because we believed in the coming together of all racial groupings. The disappointment now prevailing is ample testimony that the dream is slowly but surely being shattered."

Mr Mayers drew reference to Mr Panday's call for national dialogue, and remarks about a "regrouping of forces," comments made by Mr Sudama on Monday night, and statements by dismissed Works Minister John Humphrey.

Such examples, he feels, are a departure from the refrain the party was promoting in 1986—"Together we will roll back the recession." He asked whether this has been forgotten already, and added:

"Recent events in the political arena would suggest that attempts are being made by a few selfish persons. It would appear that their programme of activities includes garnering the spoils of governance for distribution to their particular constituencies alone."

"This is a bold accusation, I admit and if it is untrue, I challenge Messrs Panday, Ramnath, Sudama and Mohammed to come out publicly and say so. It is untrue, I would like these goodly gentlemen to come out frankly and explain what their real grouses are."

#### Racial Grouping

"If it is that the constituencies which these persons represent wish to see a particular racial grouping or political ideology become apparent, he said, they should use their influence to educate and redirect their people, he said.

"If it is that they wish to wield more power, I think that their behaviour in public suggest that they are not ready for such responsibility."

The councillor said that he cannot understand the present pattern of behaviour and noted that if "they" have fundamental problems with the system, it should have been raised as an important issue in December 1986, so people could decide on polling day.

Mr Mayers warned that the alternative to a properly functioning NAR Government is not the PMN, but chaos.

"The process of good Government," he concluded, "does not involve public attacks by Ministers. It involves responsible people, and acting in a responsible manner."

#### **Humphrey on 'Hypocrisy'**

32980114 Port-of-Spain TRINIDAD GUARDIAN  
in English 4 Dec 87 p 3

[Article by George Harvey]

[Text] Dismissed Minister John Humphrey said that he had uncovered information that would expose the "hypocrisy" of Prime Minister A. N. R. Robinson who fired him from Cabinet last week. He said that the revelations will come to the country in the "not too distant future."

Former Works Minister Humphrey made the statements on a Radio 610 call-in programme which dealt with the current open dissension in the National Alliance for Reconstruction (NAR) Government and the party.

He told the Tuesday night listeners that he had a lot of confidence in Mr Robinson, but that confidence has been shattered by the evidence in his possession "that I intend to bring to the party."

He also stated he found that "the Prime Minister has no tolerance for dissent." He said that the Cabinet did not resemble a British Cabinet "because there is a great deal of freedom in a British Cabinet and each Minister has autonomy to manage his departments."

Outspoken Humphrey said that if asked whether he was prepared to serve again as a Cabinet Minister under Prime Minister Robinson "I will say in no uncertain terms NO."

He added: "I will not be prepared to serve under Mr Robinson if he holds the power he holds today."

#### **New Dispensation**

He still left a foot in the Cabinet door when questioned on his recent statement that Mr Robinson was the best leader for the NAR. Mr Humphrey countered that Mr Robinson "is the man who can be the Prime Minister, but under a new dispensation."

"There are other leaders of NAR who could share the power with him and in such a context I would be prepared to serve." He added that as long as he held power in a monopoly and a virtual Prime Ministerial dictatorship "I will not be prepared to serve."

Also participating in the live show hosted by announced Gideon Hanoomansing were Speaker of the House of Representatives Nizam Mohammed and journalist Andy Johnson.

Mr Humphrey said there was no doubt that his dismissal stemmed from his confrontation with the Prime Minister who is also Minister of Finance and the Economy "on the way the money of the country was being managed or more aptly mismanaged or not managed at all."

He said he sought unsuccessfully for the past year to get the Prime Minister to do something about monetary reform and expansion of the economy through measures requiring the least foreign exchange in accordance with the NAR manifesto. He said "so frustration built up and I started to sound off publicly."

Speaker Mohammed, who is also Vice Chairman of the NAR, gave his opinion as to the root of the problems in the party. He said that after one year there was "a great feeling of urgency to deliver...one must understand the high expectations that were generated in the run-up to the December 15 election."

He said "people are beginning to feel that enough has not been done and they are becoming a bit anxious about this."

Mr Mohammed added that "open Government to my mind means involvement of the population." He said that from what was happening in recent weeks "one can see that the party is not ready for that as yet."

Both Mr Humphrey and Mr Mohammed agreed that the differences in the party were not insurmountable and could be solved by dialogue.

/9274

#### **Text of Robinson News Conference on Trip, Domestic Issues**

32980095b Port-of-Spain SUNDAY GUARDIAN  
in English 22 Nov 87 pp 8, 24

[Text] Last Tuesday Prime Minister, A.N.R. Robinson held a press conference at Whitehall in which he answered questions dealing with his recent overseas tour as well as matters of other domestic interest. We publish today the full text of the press conference, the second of its kind held since the NAR came to office in December last year.

Question: Mr Robinson could you tell us what specific projects might be coming out of your overseas tour?

Robinson: I would not like to give a shopping list. But there are projects in the tourism sector, some of which had been initiated before, but had been advanced as a result of the visit.

For example, there is a hotel project in Tobago at Rockley Point. There is one proposed at Buccoo. There is a free trade area proposed. In fact five locations in Trinidad have been located, and they are subsequently to be prioritised. At Piarco, Chaguaramas, one of them is, I think, La Brea and so on.

We have also been having discussions with petroleum companies in respect of projects in the petroleum sector. We have been having discussions with AMOCO, with Union Carbide, with Occidental of the United States, which has headquarters in Los Angeles relating to projects such as gas exploration petroleum drilling and methanol production.

We have also had discussions with one company which is interested in setting up a rice production project in Central Trinidad and a number of others.

Question: Could you tell us whether these projects are likely to come on stream in 1988. For example the hotel project in Tobago has reached a stage of maturity. I gather the rice project can be started in 1988. There is a hardboard project involving an investment of something like \$30 million which also is at a stage of near maturity.

#### **Maturity Date**

We ourselves are in the process of negotiating finance for our petroleum companies for a gas project for which steps have been taken to advance the maturity date, the start-up date, and that is the South East Coast Consortium project which involves an investment of several million dollars.

That was initiated well before my visit to the United States, but we sought to clear the way for the project in discussions there, and I myself had discussions with the President of AMOCO.

Now I think that it is important that the population should know this. There is the possibility of a gas shortage. There is a possibility of a gas shortage in about two years time—1989 to 1990.

And this project which is called the South East Coast Consortium project, involves our own companies engaging in a major gas production project involving the setting up of a platform on the South East Coast.

Now at the moment, AMOCO is the major supplier of gas—in other words, vital fuel. An essential fuel and commodity and industrial input such as gas, is now controlled by a foreign company which virtually has a monopoly, and we are faced with a situation where that monopoly would have been strengthened if we had allowed the situation to develop where AMOCO would also produce the future supplies, additional future supplies of gas, through its South East Coast Galeota Fields, and the big decision that we had to take this year, was

whether to run the risks attendant on doing it ourselves or to allow a foreign company to increase, so to speak, its stranglehold on an essential input in fuels such as the gas supply.

#### **Best Relations**

And that is one of the reasons why I met the President of AMOCO in order to indicate it to him. I told him fairly and squarely, that I did not think it was in the interest of Trinidad and Tobago, I did not think it was in the interest of AMOCO and I do not think it was in the interest of the best relations between Trinidad and Tobago and the United States, that a United States Company should find itself in that kind of situation in an independent country such as Trinidad and Tobago.

So I dealt with it straight from the shoulder at the political level using a political argument. And I think he understood because the United States is now in a position where because of the Middle East situation, many of the magnates in the United States—petroleum magnates—are thinking of seeking to increase domestic supply so as to reduce dependence on imports of petroleum. So it's an argument which I am sure he understood.

Question: Mr Prime Minister, in your talks with the President of AMOCO, did you raise at all the issue of the Supplemental Petroleum Taxes? Did that come up at all in the talks?

Mr Robinson: Yes that issue did arise. Now I must say there is a case for restructuring of the Supplemental Petroleum Tax. However, the nature of the structuring has to be worked out carefully. What I have noticed is during the years of the steep increase in petroleum prices, production did not commensurately increase, so that the increase in production is not really necessarily a function of the returns received by the petroleum company, so that whatever we do, we must ensure that our revenue position which, as you know, is extremely tight at the present time, is not worsened significantly while at the same time we do not have a commensurate increase in production of petroleum.

#### **Careful Judgement**

That is the situation that we face. it is a situation that requires very careful judgement and calculation. We are engaged in negotiations with AMOCO. We made them to understand the situation and those discussions are taking place. The negotiating team is talking to the company

Question: At one point the relations between Trinidad and Tobago were not entirely cordial. Did you experience a kind of ease in tension between both sides?

Mr Robinson: Well I don't want to disclose too much of what happens in the negotiating room, but the purpose of my meeting the president was precisely to establish at the very top position, and promote understanding of positions, so that AMOCO would know very clearly where Trinidad and Tobago stands. As I have said repeatedly we are not a banana plantation country.

Trinidad and Tobago is a country which has a degree of self-respect and that is what we are promoting on the international scene, and we will not sell our souls for money. We will not do that.

We have to maintain the dignity and self-respect of our population and respect for country abroad. That's what I seek to communicate in these discussions at the top level.

Question: Mr Prime Minister, there were some memoranda of agreement signed in Miami on the last leg of the trip. Could you give us some of the details, what is contained in those memoranda?

Mr Robinson: Well those memoranda have been circulated. They were laid on the table in Parliament. They relate, for example, to agreements between private companies, and where the Government is concerned, Government may be concerned in granting the usual tax concessions, and there would be a commitment that those tax concessions are granted and a commitment that the usual procedures are expedited, for example Town and Country Planning approvals, IDC approvals, one-stop-shop to expedite those kinds of procedures; matters of that kind where the Government is concerned to provide support facilities.

Question: How does the rice project you spoke of, affect the existing rice project at Caroni?

Mr Robinson: I would expect that certainly the projects would be harmonised. All the agencies involved would have to agree on the direction of the project and the nature of the project including the Minister of Agriculture, Lands and food production. So that all the details of the agreement would be worked out.

Question: Mr Prime Minister I want to move away from the tour. The state of the Police Service in Trinidad and Tobago must be of some concern to you and your Government. What measures are being taken to restore the confidence of the citizens in the Police Service?

Mr Robinson: Yes the state of the Police Service is a matter of very serious concern, and I explained that, as you know from the very time that the new Government had assumed responsibility for the country.

First of all we had the problem of the drug trade which went very far indeed. The evidence was that it had gone into very high levels of the society, apart from the protective services.

And as I have previously mentioned I think there was perhaps evidence to suggest, I cannot say to prove, but evidence to suggest that one of the reasons for the disability of so many of the Coast Guard vessels could very well have been linked to the drug trade.

#### Disabled Vessels

When we came in we found almost half of the vessels disabled. Within recent times also, there is a certain incident, I can't say too much about it, but I myself have had to instigate and to follow with inquiries involving a high official at the Port in terms of an incident which took place around the middle of last year, evidence regarding which was disclosed, but was suppressed, and the Prime Minister had to enter the picture because I had information from private sources and had to press for, and to follow through with an inquiry.

So I give you this background in order to indicate the extent to which the situation had gone in terms of the demoralisation so to speak, of the services.

As you know, the first step was taken by the Police Service Commission which is quite independent. A new Police Commissioner was appointed. The Police Commissioner of course had to become acquainted with the situation and many incidents were taking place meanwhile.

Training programmes were set in motion. Certain movements took place in the Police Service. We have made sure that when fatal accidents occur, immediate inquests take place. whereas previously it used to take five years for an inquest, now the inquest—all the inquests—are taking place within the year of the incident.

#### Cross Examine

I was myself a lawyer in a matter involving an inquest some years ago in which a man called "Santa Clause" in Belmont was shot.

As I was about to cross examine the police officer who did the shooting, I got a letter from the mother of that young man asking me not to continue with the matter because her job at the Victoria Institute was in danger.

She was threatened with the loss of her job, so I had to withdraw from the case.

That's the sort of thing that happened in the past. Now as I said inquests are proceeding; if anybody is threatened with victimisation, I want to say it publicly the Prime Minister will risk his office in order to protect that person from victimisation.

I want to say also that if anybody in the public service finds that he or she is threatened in any way because of the honest course that they are pursuing, the Prime Minister will do whatever he can to protect. Just let him know.

So that these measures are being taken. The training measures, the whole atmosphere is being changed. I myself have had dialogue with the Police Service, and where necessary, we are seeking assistance from abroad as well as in the case of the Alexander Commission of Inquiry. We have obtained technical assistance from Scotland Yard.

Question: Mr Prime Minister, it has been reported that some members of the magistracy who were mentioned in the drug report have returned to their jobs. Have they been officially exonerated?

Mr Robinson: That really is a matter for the Judicial and Legal Service Commission. Government does not interfere in the operations of those commissions. There is a Public Service Commission, a Judicial and Legal Service Commission which deals with the magistrates, and there is a Police Service Commission which deals with the police officers.

Question: Mr Prime Minister back to the overseas trip. The Government seems to be putting a lot of emphasis on foreign investment to revitalise the economy. The history of foreign investment in the Caribbean to transmit structures and growth is not a good one.

The Government seems to be doing that, and doing that contrary to the NAR's Manifesto, and it seems that the state sector is standing idly by, especially those agencies with income generating potential. What is happening?

Mr Robinson: The Government is placing emphasis on foreign investment in the sense that we consider there is a need for that kind of input at the present time, but I have always emphasised that the principal responsibility for development of the country rests on the shoulders of nationals of the country.

I have always emphasised that we need to generate surpluses in the public sector in order to have savings for investment, but if as is happening today, as Finance Minister at the beginning of the year you are confronted with a budget of \$5.5 billion, with demand \$2.7 billion for State Enterprises you will see that that makes absolutely no sense at all.

That spells suicide. Total bankruptcy. So from a sheer practical standpoint we must get our State Enterprises to be more efficient.

### Savings Factor

Those which cannot be efficient we cannot carry. Secondly because of the fact that the savings factor has been reduced virtually to zero in the public sector, then we must make use of some savings from abroad, whether in terms of former loan capital or portfolio investment, as the case may be. It makes sense.

Every country in the world in similar position would do it. As you notice even China, a Communist country, is seeking foreign investment, and I would not be surprised if Gorbachev tomorrow in his reconstruction programme did something of the sort, and I would not be surprised if Yugoslavia, Poland all of these countries did so as well.

I mention the use extreme cases because there is a doctrine which is being spread that foreign capital finds no place in the development of a country.

We do not share that view. We feel it has an ancillary and supporting role in specific circumstances, and what we have to do is negotiate proper agreements.

Question: Can you tell us if the Central Bank has an independent role in the reconstruction of the economy? And secondly what is your relationship with the Governor of the Central Bank who has just resigned?

Robinson: Relationship between myself and the Governor of the Central Bank, I have always respected the independence of the Central Bank. I was myself responsible for the setting up of the Central Bank and for the legislation governing the Central Bank.

One of the things I sought to do was to guarantee, as far as possible, the independence of the Governor of the Central Bank. Of course, independence within the context of the legislation. The Governor of the Central Bank has always been asked for his views, during my term as Minister of Finance this year. He is a member of our National Planning Commission. In matters which require his advice or his inputs, I usually summon him to meetings with other technicians. I do not, however, slavishly accept the advice of any single technician or person. Nor does the Government. The Government is pledged and committed to making use of the diversity of talents in the country wherever they may be, and that is why we have set up institutions such as the National Planning Commission and the joint Consultative Council; why we publish policy statements and seek consultations, and it is in that context that we have been functioning. I know of no specific occasion or incidents.

Now in his letter of resignation, which he erroneously addressed to me. It should have been addressed to the President, and I don't see how a Governor of the Central Bank can misread the Act in such a way, when the Act says clearly, tender your resignation to the President. He tenders his resignation to the Prime Minister. That is a

matter for you to pass judgement on not me. What I can say is that one of the things that he said was that he did not think that the present Minister of Finance cared much for his advice. Now one must look at this in the context of a situation where the Central Bank, according to a recent analyst, engaged in greater activity last year than ever in its history, where it made the money supply and credit easier; where it advanced over \$1 billion to the Government, all in an election year; where it presided over the depletion of the Foreign Reserves to the extent of two thirds.

We started off with Foreign Reserves of about \$1 billion at the beginning of last year and ended up with just over about \$336 million—sufficient for three months cover.

So obviously I have to listen to other people, as well. I listen to the Governor of the Central Bank, but I listen to others as well.

Today I was presented with the report of a sub-committee of the National Planning Commission on monetary policy, so that when it comes to monetary policy, I don't only listen to what the Central Bank or the Governor of the Central Bank has to say. I listen to what other people in the community, people in the public sector, in the private sector in the University have to say.

When the decisions are taken, of course the responsibility is the responsibility of the Government, or the responsibility of the Minister and I never shirk my responsibility.

Question: The decision taken to switch the ECO's, was that an independent decision by the Central Bank?

Mr Robinson: The ECO's, that was a decision of the Central Bank which is charged under the Act with the management of the reserves.

Question: Is Mr John Humphrey a thorn or a rose in your side?

Robinson: Mr John Humphrey is Mr John Humphrey.

Question: Is there going to be social unrest in Trinidad and Tobago?

Robinson: Well you are as good a seer as I am. On the question of social unrest, may I say that it is important that the country understands that the situation is not going to be easy.

I have been trying to telegraph this message from before the elections. In fact we fought the election campaign on the basis of a revelation as we then knew of the state of the economy at the time and when we got in we found it was worse when we really discovered the statistics and the other factors in the society as a whole. So that I think

it is important that the country understands. Over the four year period from 1983 to 1986, unemployment rose by 14 percent per annum, and that is the situation that we faced.

Rising unemployment by 14 percent per annum. At the same time that unemployment is rising by 14 percent per annum, and the Gross Domestic Product is declining by seven percent per annum from 1983, our foreign reserves were running out at the rate of two thirds of the reserves in one single year, in 1986.

### Smaller Cake

That's the situation that we took over. And we have been trying to project to the population, if the cake gets smaller, then you can't expect to have more, unless your proportion is miniscule. But the population at large can't expect everybody is going to have more.

It has in the average; it has to be less, and that is the message we have been trying to communicate from the very beginning

The country is faced with a situation which other countries have faced. It is nothing unique in the history of the world. Other countries have faced that situation.

But the extent to which we will succeed and can succeed, will depend upon the seriousness with which we face the situation and our readiness to make the necessary sacrifices... take the necessary measures.

I believe that the population understands. After all, I have been in a general election, virtually two general elections in one single year—general election in December followed by a Local Government election which as you know, was used as a referendum in September. All these issues were agitated during the Local Government elections as well, so that I believe that the population will make those sacrifices. I would like to ask the co-operation of all citizens, particularly persons who are in the influential position that you are, to assist in getting the message over that all of us are in the same boat, and we must not believe that if we do not have our own way, that by rocking or sinking the boat that anybody is going to benefit. All of us must seek to work together and resolve our differences in the proper way.

My father was a headmaster, and if you will forgive me, one of the lessons that he drilled into us when we were children was "Too far East is West."

Question: Would you, as "headmaster" of your Cabinet, give fatherly advice to the members of your Cabinet? We have had the question here about Mr Humphrey and you smiled, is that your tolerant attitude to the oblique criticisms that come from various ministers?



Robinson: You would like to send a message to Mr Humphrey? I cannot disclose what happens in Cabinet, now the Prime Minister has to set an example. Excuse me if I sound like sermonising, but I think it is important that we look into the situation in which we are.

Some of us are new to the situation, including Ministers. Some of the Ministers are new. The first time they face responsibilities of Government; first time they have had to run the West-minister system of Government so that one has to allow a period of time for learning, so to speak.

We have to have a learning experience. We all learn as we go along, but particularly those who are new have to learn, and we must allow a period of time.

#### Learning Period

But the time will come and I am not saying how near it is, when appropriate measures will have to be taken if a sufficient learning period has been given and the lesson has not been learnt.

Question: Are you satisfied with progress, that people are learning?

Answer: Some are learning.

Question: Mr Prime Minister, back to the question of the state enterprises for 1988. You said that state enterprises are going to be demanding a large transfer payment whenever the budget is presented.

What is the Government going to do about them in terms of rationalising the operations of the petroleum industry, for instance those companies which are state owned.

Robinson: You said that I said that the State Enterprises will be demanding. I said that they demanded. You have to be careful about that, and try not to put statements in my mouth.

I enjoy being accurately reported, but I don't enjoy being inaccurately reported. In the event that we are confronted with bills, and I am sure that those bills are going to be much less, because of the measures that we have taken, the bills will be much lower than in 1987; the bills in 1988 from the State Enterprises, but we have also engaged in a programme for the structuring... as you know we have appointed a State Enterprises Committee which is headed by Mr Frank Rampersad and that Committee is reporting on all the State Enterprises concerning measures which have been taken, which should be taken, which they recommend should be taken in terms of restructuring which might include divestment.

#### A Major Issue

Now again may I say that some people are seeking to make privatisation a major issue, and saying that the Government has a policy of turning over the State Enterprises to private companies. That is totally erroneous.

It is misrepresentation in some cases, very deliberate, of the Government's policy. Government's policy is clearly stated in our manifesto. We have talked about restructure.

It might include capital enhancement, it might include tripartite or trisector arrangements where labour enters with Government and representatives of the private sector in a joint enterprise, or in appropriate cases where private goods are produced, and where private companies could efficiently produce those goods and a State firm is not doing it, it will include privatisation.

In other words we have a range of measures that we propose might be appropriate, one might be appropriate in a very specific circumstance. We don't propose for example, to privatise or divest or restructure electricity or water for that matter.

#### Very Sore Example

Certainly telephones, we are considering restructuring telephones, but that will not include privatisation. It may include a certain amount of joint venture relationship.

ISCOTT is a very sore example and I want to express my very deep regret about what has happened at ISCOTT. I want to extend publicly my sympathy to the relatives of the bereaved man who was caught up in that very sad disaster.

I understand there have been some very unfortunate developments. They are quite understandable, but I would like to make an appeal to the workers not to do anything to jeopardise the plant at this stage.

And I myself will be prepared to meet them at the appropriate time if required, to see what can be done. But at the moment the Minister has ordered an investigation, and that investigation is taking place, and while you cannot compensate for the loss of a life, unfortunately ISCOTT has had a very unhappy experience, and we hope that we will be able to get that experience behind us, because there is a great deal of human investment in that plant apart from capital investment and now we have the tragic loss of life.

Question: Mr Prime Minister do you have any plans to restructure Caroni?

Robinson: Yes, there is a Caronai Development plan which I think will be published for public comment. It has been developed by the company in collaboration



with or under the guidance of the Minister of Planning and Reconstruction and Caroni is certainly one of the top priority companies for reconstruction.

Question: Mr Prime Minister, when you returned from your trip abroad, you spoke of follow-up action and the necessity for it. What follow up action has the Government taken so far?

Robinson: We have brought together members of the delegation who were on the trip and who were engaged in the discussions and who know what happened in the course of the mission.

We have constituted them under Minister Gordon as a team to follow through and they are in touch with the different agencies which need to be activated for the follow-up action.

A complex machinery has been set up and a number of matters are coming in whether it be in the form of inquiries or in the form of projects proposed or matters of that kind.

Question: The CBI Ombudsman Alex Goode had mentioned the question of exchange agreements. What had been the progress on that?

Robinson: I have asked that that be expedited. That is in the process of being expedited. The dual citizenship legislation for example. Only today I spoke to the Attorney General myself about it.

A wide range of matters is being pursued at the same time and I have emphasised the need to galvanise action and provide some kind of dynamism which can sort of penetrate to other areas of the public service.

Question: You spoke of a smaller economic cake. Can we expect a cut in recurrent expenditure in 1988 to facilitate capital development in Trinidad and Tobago?

Robinson: Well you are asking me now to tell you what the budget is going to be like. I am going to tell you the policy as enunciated by this Government in the previous budget and in the elections manifesto, has been that we seek to and we are determined to achieve a balance between recurrent expenditure and recurrent revenues and generate a surplus.

We regard that as being extremely important in order to attract additional capital resources. Now there are some people who say that by cutting recurrent expenditure you decrease demand and therefore you depress the economy but then you are only selecting part of the picture.

#### **Additional Capital**

If you merely cut recurrent expenditure then that may happen. But if you cut recurrent expenditure you achieve a surplus and you attract additional capital resources and

you spend those capital resources for capital formation and creation of employment, then you are expanding the economy and that is how you do it.

Question: Is there any love lost between your administration and the Governor of the Central Bank? It is clear all along during the 11 months of your administration spokesmen, including ministers have been critical of the performance of the Central Bank, and when you talk of the activities that the Bank undertook in 1986, you were not applauding that activity.

What have you done with his letter of resignation and does his resignation not make it that more difficult for your administration in the management of the economy and attracting investment?

Robinson: May I say that when I deal with situations, I don't deal with personalities. What I talked about was performance and history, and obviously if the Governor of the Central Bank has to be sitting in a situation where you are dealing with these matters and you are pointing to these deficiencies, as for example I have had to be doing, when he is being a member of the delegation to the President of the World Bank, to the Managing Director of the IMF, Exim Bank to all these financial institutions, and to state the situation we met and the measures we are taking to deal with them, obviously he has to feel uncomfortable. It's human nature. I am not surprised.

It has nothing to do with personalities. If you were in that position you would feel uncomfortable. If I were in that position I would feel uncomfortable. Any of us would feel uncomfortable.

Question: When your administration came into office in 1986 the unemployment figure in Trinidad and Tobago was said to be around 17 percent. It looks like unemployment has increased a year later. I don't know what information your administration has. What are the prospects for bringing it down in the next year or so?

Robinson: I indicated that unemployment had been rising at the rate of 14 percent per annum when we took over, that is over the four-year period from 1983 to 1986 inclusive unemployment had been rising at four percent per annum and in December of 1986 the unemployment figure had reached 18 percent and was projected in a short period of time to reach 25 percent.

What I can say is we have been able to contain the rate of increase and the figure is about the region of 20 percent.

Question: Mr Prime Minister some time ago you spoke of a number of projects under the design finance construct system. What is the state of those projects?

Robinson: The position is the Cabinet subsequently prioritised those projects to seven of first importance and five of them, I gather, are out to tender.

I hope that more of them before the end of the year will be out to tender.

Question: Mr Prime Minister on the eve of your return to Trinidad it was reported that you were coming with some signed documents and 6,000 jobs. Can you throw some light on that?

Robinson: I don't have anywhere on me where I can hold 6,000 jobs. That was part of the propaganda that was being published. What was said was the projects in respect of which the memoranda of agreement had been signed would, when investment took place, an investment of some \$500M could provide as high a figure as 6,000 jobs. I did not say that I came back with those jobs. I don't know who could have spread that.

Question: Mr Prime Minister, I would like to get back to the question of employment. There was some apprehension created at the Economic Association Conference on Saturday by one of your advisers that foreign investment would not generate jobs.

How do you view that type of perception coming within your economic advisory Cabinet? How would you view that perception?

Robinson: I would hope that the person, the reporter who wrote that would rise and acknowledge that it was a mistake. I am sure that the reporter who wrote that would acknowledge that it was a mistake because I am told that he heard the tape subsequently and the tape confirmed that that is not so.

I don't think any economist would say that, certainly not Dr Farrell.

#### Finest Minds

Dr Farrell is one of our finest minds. There is no question about it. What probably he would have said would be something quite different; not to depend upon foreign investment, that is to say, don't make it your principal hope and source of job creation and capital formation, and the point I have been making is foreign investment is ancillary and supportive to, and not a substitute for domestic capital investment through savings from nationals.

Question: How far advanced are you in the preparation of the 1988 budget, and is it likely to be presented this year?

Robinson: Most of the foundation work has been done. We are now at the stage of finalising certain aspects of the budget. Yes it will be presented this year.

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#### OWTU Elects New Leader, Warns of Unrest

##### Nagir on 'Communist Bogey'

32980097 Port-of-Spain DAILY EXPRESS  
in English 7 Nov 87 p 5

[Text] A 50-year-old Trintoc Pointe-a-Pierre refinery maintenance assistant supervisor, contesting the post of president-general of the Oilfields Workers Trade Union, said that his main reason for jumping in the fight is to change the "communist bogey" image of the union.

Wilfred Nagir said in an interview yesterday that he had been a paid-up financial member of the OWTU for 30 years and had been employed in the oil industry for 35 years. Nagir lives at Gasparillo and is the father of six children. He said that while he does not have a full team contesting the election, he was certain of the support of the executive, if elected.

Nagir said he was loathe to publish his policies and programmes for fear his opponents may want to use them to his disadvantage. However, he has been holding public meetings which he claims are well attended. Said the plump, articulate oil worker, "I am confident of winning and things seem all right with me."

Nagir said that the OWTU had been overshadowed by the "communist bogey" since the Rebel team assumed power and he felt it was his duty as a long-standing member of the union to try now to change that image. He said that it was only after this image is changed that there can be labour unity.

Said Nagir: "The other unions are crying out for unity but they are suspicious about this communist talk and action. We have to get rid of this image if the country is to develop and foreign investors are not frightened away."

Nagir said that he was more concerned about consultation and dialogue rather than confrontation. Said he: "This is no time for confrontation. it is a time for dialogue and discussion."

He said last year the union spent \$736,580 in travelling and subsistence, \$206,580 in stationery and papers, \$728,650 in general expenses, and \$98,784 in telephones and telegrams. He questioned the "near three-quarter million dollars spent in general expenses." Said he: "Let McLeod explain to the union membership what constitutes general expenses. These officers must give a breakdown of the general expenses. Let the membership know."

Nagir said the union has been spending a lot of money on propaganda despite the fact that the country is facing hard times. He complained that he was not getting any assistance from the union in the campaign and questioned whether his opponent, acting president-general Errol McLeod, was having access to the union's facilities.

Nagir said he approached the union on the matter and was told that he could use the facilities but would have to pay for them as any other person.

Nagir said that if elected he would seek better facilities for workers, including improved pensions, medical and housing plans. He said that social facilities will have to be improved at the workplace.

The OWTU general elections will take place on Monday, November 16.

### Unrest in Oil Industry

32980097 Port-of-Spain TRINIDAD GUARDIAN  
in English 13 Nov 87 p 1

[Text] Unrest is stirring among workers in the oil industry as protests have begun over unresolved industrial relations issues in two state-owned oil companies.

This was revealed yesterday at a news conference called by the Oilfields Workers' Trade Union (OWTU) at its Port-of-Spain offices.

On the issue of outstanding backpay Trinidad and Tobago Oil Company (Trintoc) workers have begun to wear red arm bands and pocket cards in protest.

Trintopec workers staged a demonstration last November 3 to protest what they called delay by the company in dealing with pension and medical plans, which they want increased in the new wage agreement.

Acting OWTU President-General, Errol McLeod, said yesterday that "through the process of collective bargaining we have been able to settle the wage dispute which we were engaged in for about three years, for hourly, weekly and junior staff workers of Trintoc for the period August 1984 to August 1987."

He noted however that they were informed by the company that "The back-pay is going to cost Trintoc some \$35 million. The company is saying to us that they do not enjoy the kind of cash-flow position to immediately facilitate their meeting the workers demands."

### Many Contractors

Mr McLeod was however critical of the company's spending habits and said: "While the company is making this complaint about a poor cash-flow situation we see that Trintoc is continuing to spend money very foolishly. Trintoc is continuing to employ very many contractors to do work which permanent employees of that company ought to be doing."

The union has since written to Trintoc demanding that the outstanding back-pay be disbursed no later than November 30, but, added Mr McLeod, "this has been met with a very negative response."

"We fear," said McLeod, "that if this is not met by November 30 we are going to have very serious problems in Trintoc as we are now seeing the signs of serious problems at Trintopec and certainly this is going to spread to Trinmar where the workers there are also making serious demands to have pensions negotiated now."

### McLeod Victory

32980097 Port-of-Spain DAILY EXPRESS  
in English 19 Nov 87 p 47

[Text] Errol McLeod has secured the post of president-general of the Oilfields Workers' Trade Union (OWTU) by a gigantic margin over Wilfred Nagir.

At the end of the vote-counting exercise yesterday afternoon, following Monday's poll, McLeod had 6,010 votes to Nagir's 458. In the race to fill three executive vice presidential posts, McLeod's "Rebels" team came out successful with incumbent Bennett Berkeley securing 5,726 votes, Winston Edwards, 5,503, and Sylvester Ramquar, 5,169 votes. Vernon Rees, trying for a place on the executive for the first time, gained 1,437 votes.

Commenting on his victory yesterday, McLeod said he wished to compliment the OWTU membership for the high level of participation in the elections. Preliminary estimates yesterday put the turnout at near 70 per cent of the union's membership of 10,000.

The new OWTU president-general said the membership had given new life to the democracy of the union and he hoped that his opponents "notwithstanding their defeat, will continue to contribute to the development process."

He said the need for unity in the union must be seen in the context of economic hard times which require that the trade union movement unite and "influence the government to move in particular ways that will benefit the working man and the poor."

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### Panday Offers Help in Effort To Unite Unions

32980115a Port-of-Spain DAILY EXPRESS  
in English 30 Nov 87 p 5

[Article by Harry Partap]

[Text] Newly re-appointed External Affairs Minister Basdeo Panday has offered to mediate in the struggle to bring all trade unions together in labour unity.

Panday made the offer when he addressed the 50th anniversary Conference of Delegates of All Trinidad Sugar and General Workers Trade Union at the Rienzi Complex, Couva, on Saturday evening.

The union honoured Panday and nine other pioneers including the founder and first president-general Adrian Cola Rienzi, retired Oilfields Workers' Trade Union president-general Senator George Weekes, the late Bhadase Sagana Maharaj, Tubal Uriah Butler, Fitzroy Wanzar, Percy Mullen, George Hamlet, and Sahidan Ramroop. Anthony Geoffroy, a former president-general was also named, but did not attend the ceremony.

Rienzi's medal was received by his son, Anthony, who flew in from the United States to attend the ceremony.

Said Panday: "I take the bold step, even if unwanted, of offering myself to mediate or to bring the parties together to do anything you want me to do to assist in achieving this long-awaited goal. Not only am I a trade unionist myself, I am on friendly terms with everyone.

"I think they all trust me to be impartial. I make this offer not in my capacity of Minister of anything or as someone with any special qualification. I do so as one who, having been born from the womb of labour, would like to see the dream of unity come true in my life time."

Panday examined the present economic system saying the reason why so many businesses were collapsing today was because during the boom period these enterprises developed a cost structure which was relevant to a period of high demand, full employment, rising prices and huge profits.

He said these businesses could no longer maintain themselves in a period of falling demand. He said only those business which restructured their cost, management and efficiency were able to survive.

Panday said some employers felt they could resolve any problem merely by a confrontation with workers. Said he: "They still believe that the only element of cost which must be reduced is labour cost. So they attack the

workers with lockouts, retrenchment, cutbacks, without any attempt to introduce more efficient management, without any attempt to eliminate corruption, waste, without any desire to accept a lower level of profits and perks."

Panday said the answer was not confrontation, but dialogue. He said the employers must get rid of the idea that workers were a greedy, insensitive, rabble-rousing bunch of hooligans. Said he: "The truth is, that workers are well aware of the economic situation, they are very concerned with what is taking place in the economy and they are prepared and willing to do their part to ensure economic survival."

He said the burden of adjustment must be shared equally. He said employers must take workers into their confidence. He said if workers are approached honestly they would respond positively.

Said Panday: "But it is unreasonable to expect them to do so, if, when they look around, they see the same corruption taking place, the same discrimination, the same injustices, the same patronage and the same khaki-pants."

Panday said workers and unions had a solemn duty to do all in their power to ensure that State enterprises are viable "so that there can be no excuse for giving them away." And, he said, if there was need to give them away, workers should have the first option "with all the assistance necessary for survival and viability."

Said he: "We must be careful not to play into the hands of the gobblers by taking action which will cause small business to collapse, only to be gobbled up one after another."

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